

# **FINAL BUDGET AND SUPPORTING DOCUMENTATION OF MUNICIPALITIES**

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# **PART 1 – FINAL BUDGET**

## **1.1 MAYOR'S SPEECH**

Ladies and gentlemen allow me to present to you the 2012/2013 IDP budget which will be effective the beginning of July.

The budget we are considering here I believe will go a long way in improving the lives of our people. We may not be able to provide all at once, but we will make a mark. Our budget is a product of the public participation process. As a demonstration of our growth, our budget this year has grown considerably to R139million as compared to the previous financial year to R109million.

Let me once more remind everyone that Maruleng was hit by disastrous rains in January which ended up leaving the area declared a disaster. I am doing this to let you note that a lot of progress we made in the previous years was reserved.

We are however not going to despair, we are known for being excellent in as far as service delivery is concerned.

No wonder we are declared by the AG to have acquired an unqualified audit opinion back to back. With the budget we are approving today, we will be building roads, community halls, recreational facilities. We will be ensuring that basic services are provided to our people.

However in the period, towards the compilation of the budget we experienced the following challenges:

- The outgoing difficulties in the National and local economy
- Ageing and poorly maintained water and road infrastructure
- The need to reprioritize projects and expenditure within the existing limited resource taking into account the current cash flow limitations
- Wage increases for municipal staff and the need to fill critical vacancies

As previously alluded to total operating revenue has grown by 12% for the 2012/2013 financial year.

- The capital budget of R47.8million for 2012/2013 has increased by 6% when compared to the 2011/2012 adjustment budget

I would like to finally call upon all Councillors to roll up their sleeves and put their shoulders to the wheel and work tirelessly to realize the vision of our municipality of becoming the powerhouse of socio-economic development through sustainable and integrated agriculture and tourism. The budget alone may not provide services if not properly implemented.

We need to work to realize the outcome of the budget passed here today. I believe and hope that this budget will go a long way in addressing the economic status for our people.

**“LET US ALL GO BACK TO WORK”**

**I THANK YOU**

## 1.2 COUNCIL RESOLUTIONS

On the of **25<sup>th</sup> April 2012** Council of Maruleng Local Municipality met in the Council Chambers to consider the final budget of the municipality for the financial year 2012/13. The Council discussed the budget and the following resolutions were adopted:

1. The Council of Maruleng Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The final budget of the municipality for the financial year 2012/13 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 11 on page 22;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 12 on page 22;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type as contained in Table 13 on page 22; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 14 on page 23.

Maruleng Local Municipality 2012/13 Final budget and MTREF

- 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, assets management and basic service delivery targets are approved as set out in the following tables:
  - 1.2.1. Budgeted Financial Position as contained in Table 15 on page 24;
  - 1.2.2. Budgeted Cash Flows as contained in Table 16 on page 24;
  - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 17 on page 25;
  - 1.2.4. Asset management as contained in Table 18 on page 25; and
  - 1.2.5. Basic service delivery measurement as contained in Table 19 on page 26.
2. The Council of Maruleng Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approved budget with effect from 1 July 2011:
  - 2.1. The tariffs for property rates – as set out in Annexure A,
  - 2.2. The tariffs for the supply of water – as set out in Annexure B
  - 2.3. The tariffs for sanitation services – as set out in Annexure B
  - 2.4. The tariffs for solid waste services – as set out in Annexure B
3. The Council of Maruleng Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) Approved and adopts with effect from 1 July 2011 the tariffs for other services, as set out in Annexure B .
4. To give proper effect to the municipality's final budget, the Council of Maruleng Local Municipality approved:
  - 4.1. That cash backing is implemented through the utilization of a portion of the revenue generated from property rates to ensure that all capital reserves and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations

### 1.3. Executive Summary

The application of sound financial planning and financial management principles are very critical in achieving the Municipality's financial objectives

The following were the challenges experience during the compilation of the 2012/2013 MTREF

- The ongoing difficulties in the national and local economy
- Ageing and poorly maintained water and roads infrastructure
- The need to reprioritise projects and expenditure within the existing limited resource taking into account the current cash flow limitations
- Wage increases for municipal staff and need to fill critical vacancies

The following budget principles and guidelines directly informed the compilation of the 2012/2013 MTREF

- The 2011/2012 Adjustments budget priorities and targets, as well as the base line allocations contained in that Adjustments were adopted as the upper limits for the new baselines for the 2012/2013 final budget
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazette as required by the annual Division of Revenue Act;

The following table is a consolidated overview of the proposed 2012/2013 MTREF

**Table 1 Consolidated Overview of the 2012/13 MTREF**

Vote Description	Current Year 2011/12		2012/13 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Total operating Revenue	111 791 554.28	120 720 396.07	137 112 155.16	133 188 633.44	132 856 131.55
Total operating Expenditure	80 417 720.80	79 076 981.03	87 380 987.27	89 725 857.25	94 081 913.60
Surplus/(Deficit) for the year	31 373 833.48	41 643 415.04	49 731 167.89	43 462 776.19	38 774 217.95
Total Capital Expenditure	34 257 960.64	44 789 083.83	47 890 161.82	45 137 319.43	36 586 956.56



- Total operating revenue has grown by 13.6 per cent or R16.4 million for the 2012/13 financial year when compared to the 2011/12 Adjustments Budget. For the two outer years, operational revenue will decrease by 2.9 and 0.25 percent respectively. Total operating expenditure for the 2012/13 financial year has been appropriated at R87.3 million and translates into a budgeted surplus of R49.7 million when compared to 2011/12 Adjustments Budget, operational expenditure has grown by 10.5 per cent in the 2012/13 budget and by 2.7 and 4.9 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily decreased to R43.4 million and R38.7 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.
- The capital budget of R47.8 million for 2012/13 has increased by 6.9 per cent when compared to the 2011/12 Adjustment Budget. The capital programme decreased by 2.7 million in the 2013/14 financial year and decreased by R8.5 million in 2014/15.

## 1.4. Operating Revenue Framework

For Maruleng municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- The municipality's Indigent Policy and rendering of free basic services; and

The following table is a summary of the 2012/13 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

Description R thousand	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b><u>Revenue By Source</u></b>									
Property rates	6,566,358	8,411,056	9,398,825	10,292,600	10,312,536	10,312,536	12,000,000	14,000,000	16,000,000
Service charges - water revenue	2,017,274	-	-	2,416,800	-	-	-	-	-
Service charges - sanitation revenue	195,377	-	-	182,796	-	-	-	-	-
Service charges - refuse revenue	1,440,799	1,613,295	1,966,193	1,981,140	2,084,724	2,084,724	2,207,723	2,324,732	2,438,644
Rental of facilities and equipment	379,130	487,679	351,175	242,740	323,974	323,974	310,120	326,557	342,558
Interest earned - external investments	425,794	159,067	335,168	200,000	713,880	713,880	750,000	789,750	828,448
Interest earned - outstanding debtors	-	-	234,064	106,000	92,388	92,388	107,400	113,092	118,634
Fines	-	1,378	-	-	131,676	131,676	139,445	146,835	154,030
Licences and permits	3,401,596	1,886,837	-	6,905,900	-	-	-	-	-
Agency services	-	-	3,563,794	-	6,729,272	6,729,272	6,136,105	6,158,738	6,503,215
Transfers recognized - operational	32,348,265	35,103,519	41,599,260	54,466,000	54,814,074	54,814,074	61,813,000	70,377,000	65,412,000
Other revenue	736,483	7,218,979	643,323	8,930,657	15,408,139	15,408,139	19,899,363	7,121,929	7,388,603
Gains on disposal of PPE	-	-	3,766,098	-	830,000	830,000	3,575,000	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>47,511,076</b>	<b>54,881,810</b>	<b>61,857,900</b>	<b>85,724,633</b>	<b>91,440,663</b>	<b>91,440,663</b>	<b>106,938,155</b>	<b>101,358,633</b>	<b>99,186,132</b>

**Table 3 Percentage growth in revenue by main revenue source**

Description	Adjusted Budget	Adjusted Budget	2012/13 Medium Term Revenue & Expenditure Framework					
	Budget Year 2011/12	percentage	Budget Year 2012/13	percentage	Budget Year +1 2013/14	percentage	Budget Year +2 2014/15	percentage
<b>Revenue By Source</b>								
Property rates	10,312,536	11%	12,000,000	11%	14,000,000	14%	16,000,000	16%
Service charges - refuse revenue	2,084,724	2%	2,207,723	2%	2,324,732	3%	2,438,644	2%
Rental of facilities and equipment	323,974	0%	310,120	0%	326,557	0%	342,558	0%
Interest earned - external investments	713,880	1%	750,000	1%	789,750	1%	828,448	1%
Interest earned - outstanding debtors	92,388	0%	107,400	0%	113,092	0%	118,634	0%
Fines	131,676	0%	139,445	0%	146,835	0%	154,030	0%
Agency services	6,729,272	7%	6,136,105	6%	6,158,738	6%	6,503,215	7%
Transfers recognised - operational	54,814,074	60%	61,813,000	58%	70,377,000	69%	65,412,000	66%
Other revenue	15,408,139	17%	19,899,363	19%	7,121,929	7%	7,388,603	7%
Gains on disposal of PPE	830,000	1%	3,575,000	3%	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>91,440,663</b>	<b>100%</b>	<b>105,938,155</b>	<b>100%</b>	<b>101,358,633</b>	<b>100%</b>	<b>99,186,132</b>	<b>100%</b>
<b>Total Revenue from rates and service charges</b>	<b>12,397,260</b>	<b>14%</b>	<b>14,207,723</b>	<b>13%</b>	<b>16,324,732</b>	<b>16%</b>	<b>18,438,644</b>	<b>19%</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit. Revenue generated from rates and services charges forms only 14 percentage of the revenue basket for the Municipality because the Municipality depends mainly on grants.

In the 2011/12 financial year, revenue from rates and services charges totaled R12.4 million or 14 per cent as calculated to the total revenue. This increases to R14.2 million, R16.3 million and R18.4 million in the respective financial years of the MTREF. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality

Apart from Transfers recognized – operational which is about 58 percentage of the total revenue mix, other revenue is the largest own revenue source in 2012/13 financial period with 19 percent. The second largest own sources is property rates which consists of various items such as town planning fees, building plan fees, clearance certificates, rental sign boards, tender documents and sales of Transnet houses ,etc of which is 11 percent of the total revenue. Municipality has been urged to review the tariffs of these items on an annual basis to ensure they are cost effective and market related.

Operating grants and transfers totals R54.8 million in the 2011/12 financial year and steadily increases to R65.4 million by 2014/15. Note that the year-on-year growth for the 2012/13 financial year is 58 per cent and increase to 69 and 66 percent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 4 Operating Transfers and Grant Receipts**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>RECEIPTS: Operating Transfers and Grants</b>									
<b>National Government:</b>	24 996 143	35 150 221	41 599 260	49 466 000	50 814 074	50 814 074	61 813 000	70 377 000	65 412 000
Local Government Equitable Share	23 761 143	32 310 000	39 322 522	47 176 000	47 176 000	47 176 000	53 513 000	57 977 000	62 712 000
Finance Management Municipal Systems Improvement	500 000	1 622 231	1 417 085	1 500 000	1 819 600	1 819 600	1 500 000	1 500 000	1 750 000
Integrated National Electrification Programme	735 000	1 217 990	859 653	790 000	1 204 474	1 204 474	800 000	900 000	950 000
EPWP Incentive					614 000	614 000	5 000 000	10 000 000	-
District Municipality: Mopani district municipality	5 578 871	3 406 004	-	5 000 000	4 000 000	4 000 000	1 000 000	-	-
Other grant providers:	5 578 871	3 406 004	-	5 000 000	4 000 000	4 000 000	-	-	-
LED	1 188 000	2 000 019	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	31 763 014	40 556 244	41 599 260	54 466 000	54 814 074	54 814 074	61 813 000	70 377 000	65 412 000
<b>Capital Transfers and Grants</b>									
National Government: Municipal Infrastructure Grant (MIG)	20 785 000	18 545 000	14 985 753	26 066 921	29 279 734	29 279 734	30 174 000	31 830 000	33 670 000
Total Capital Transfers and Grants	20 785 000	18 545 000	14 985 753	26 066 921	29 279 734	29 279 734	30 174 000	31 830 000	33 670 000
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	52 548 014	59 101 244	56 585 013	80 532 921	84 093 808	84 093 808	91 987 000	102 207 000	99 082 000

Tariff-setting is a fundamental and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 5.4 per cent upper boundary of the South African Reserve Banks inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of Municipality and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either

operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

#### **1.4.1. Property Rates**

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 73:1 the implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further 40% of the reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 65 per cent rebate will be granted on residential properties (including state owned residential properties but excluding sectional title scheme and residential properties in non private estate);
- 100 per cent rebate will be granted to residential properties in rural, informal settlement and registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
  - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
  - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
  - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
  - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The Municipality does not have special rating; one levying rate is applied for all categories. The current levying rate is 0.0093 and proposed for the 2012/2013 is 0.0096

### 1.4.2. Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with Municipality, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost effective by 2014.

Maruleng Municipality is not a water authority in terms of the Act but rendering the service on behalf of the District. The Municipality receives bulk water from the Department of Public Works. Public Works has not increased its water tariffs, which is 2.04 p/kl and will remain unchanged in the 2012/2013 financial year.

A tariff increase of 5.4 per cent from 1 July 2012 for water is proposed. This is based on the increase in the cost of other inputs.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

**Table 5 Proposed Water Tariffs**

CATEGORY	CURRENT TARRIFF 2011/12	PROPOSED TARRIFF 2012/13
	Rand per kl	Rand per kl
<b>RESIDENTIAL</b>		
Water basic per household p/m	5.38	5.67
Water consumption p/kl	3.91	4.15
<b>NON RESIDENTIAL</b>		
Water basic per household p/m	5.38	5.67
Water consumption p/kl	7.74	8.16

### 1.4.3. Sanitation and Impact of Tariff Increases

A tariff increase of 5.4 per cent for sanitation from 1 July 2012 is proposed. This is based on the input cost assumptions related to water.

**Table 6 Comparison between current and proposed sanitation charges**

CATEGORY	CURRENT TARRIFF 2011/12	PROPOSED TARRIFF 2012/13
	Rand per kl	Rand per kl
<b>RESIDENTIAL</b>		
Sewerage per dwelling p/m	45.33	47.8
<b>NON RESIDENTIAL</b>		
Sewerage per dwelling p/m	46.90	49.4

#### **1.4.4. Waste Removal and Impact of Tariff Increases**

The Municipality has a contract for waste removal for businesses. Currently solid waste removal is operating. It is widely accepted that the rendering of this service should at least break even, which is currently not the case.

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributor to this deficit is increases in general expenditure such as petrol and diesel and the cost of remuneration. The Municipality's landfill site is situated 55 km outside the collection areas.

It is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 5.4 per cent increase in the waste removal tariff is proposed from 1 July 2012. Higher increases will not be viable in 2011/12 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services.

The following table compares current and proposed amounts payable from 1 July 2012:

**Table 7 Comparison between current and proposed waste removal fees**

	CURRENT TARIFFS 2011/12	PROPOSED TARIFFS 2012/13
	WASTE REMOVAL	WASTE REMOVAL
Tariff per container per month or part of a month:	Per month (R)	Per month (R)
<b>BUSINESS</b>	<b>4,688.40</b>	<b>4941.57</b>
6m container removed once a week	3,750.72	3,953.26
Wheel bins	937.68	988.31
<b>PUBLIC WORKS</b>	<b>464.73</b>	<b>489.86</b>
Domestics	63.77	67.25
Messe & Base	400.96	422.61
<b>RESIDENTIAL</b>	<b>973.29</b>	<b>1025.90</b>
Refuse collection per unit	38.85	40.95
Refuse coupons per bakkie	115.28	121.55
Garden refuse and rubles - Full load	546.11	575.60
Garden refuse and rubles - Full load	273.05	287.80

#### 1.4.5. Overall impact tariff increase on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services. Note that in all instances the overall impact of the tariff increases on household's bills has been kept to between 12 and 13 per cent, with the increase for indigent households closer to 12 per cent.

### 1.5. Operating Expenditure Framework

The Municipality's expenditure framework for the 2012/13 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of no budget no spending.
- The following table is a high level summary of the 2012/13 budget and MTREF (classified per main type of operating expenditure):



**Table 8: Summary of operating expenditure by standard classification item**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Expenditure By Type</b>									
Employee related costs	20 507 473	21 044 581	26 382 344	33 906 385	31 472 366	31 472 366	39 515 452	41 497 383	43 572 252
Remuneration of councillors	4 491 329	5 367 776	5 683 264	5 947 487	7 774 393	7 774 393	7 381 665	7 750 748	8 138 286
Debt impairment			3 356 782	3 500 000	3 500 000	3 500 000	3 500 000	3 685 500	3 866 090
Depreciation & asset impairment	-	4 024 621	4 609 005	4 113 448	5 134 244	5 134 244	5 500 000	5 791 500	6 075 284
Finance charges		72 055	34 729						
Bulk purchases	2 205 991	392 348	402 255	2 145 000	500 000	500 000	600 000	631 800	662 758
Other materials		128 492	860 294	2 047 000	2 170 000	2 170 000	1 795 000	1 890 135	1 982 752
Contracted services	2 990 918	3 581 114	4 379 221	5 325 000	5 625 000	5 625 000	6 050 000	6 370 650	6 682 812
Other expenditure	37 733 391	10 749 928	15 036 514	23 433 400	22 900 978	22 900 978	23 038 870	22 108 141	23 101 681
Loss on disposal of PPE		6 302	-						
<b>Total Expenditure</b>	<b>67 929 102</b>	<b>45 367 217</b>	<b>60 744 408</b>	<b>80 417 721</b>	<b>79 076 981</b>	<b>79 076 981</b>	<b>87 380 987</b>	<b>89 725 857</b>	<b>94 081 914</b>

The budgeted allocation for employee related costs for the 2012/13 financial year totals R39.5 million, which equals 25.6 per cent of the total operating expenditure. The three year collective SALGBC agreement, salary increases have been lapsed and the Municipality has budgeted 5% salaries increase for the 2012/13 financial year, included to the 5 per cent is 1 per cent budgeted for salary disparity. An annual increase of 5 per cent has been included in the two outer years of the MTREF. As part of the Municipality's turnaround strategy vacancies for critical positions have been budgeted for. The outcome of this exercise was the inclusion of R6.5 million in the 2012/13 financial year relating to critical and strategically important vacancies. In addition expenditure against overtime was significantly reduced, with provisions against this budget item only being provided for emergency services and other critical functions.

The settlement reached by the SALGBC parties in the salary dispute resulted in a further financial implication on this area of expenditure. A preliminary amount of R39.5 million has been included in the 2012/13 MTREF. It should be noted that the total financial implication could not be determined as the applicable municipal wage curve (representing equal pay for equal work at all municipalities in South Africa) has not been finalized.

The cost associated with the remuneration of councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 4 per cent and the Debt Write-off Policy of the Municipality. For the 2012/13 financial year this amount equates to R3.5 million and escalates to R3.8 million by 2014/15. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption.

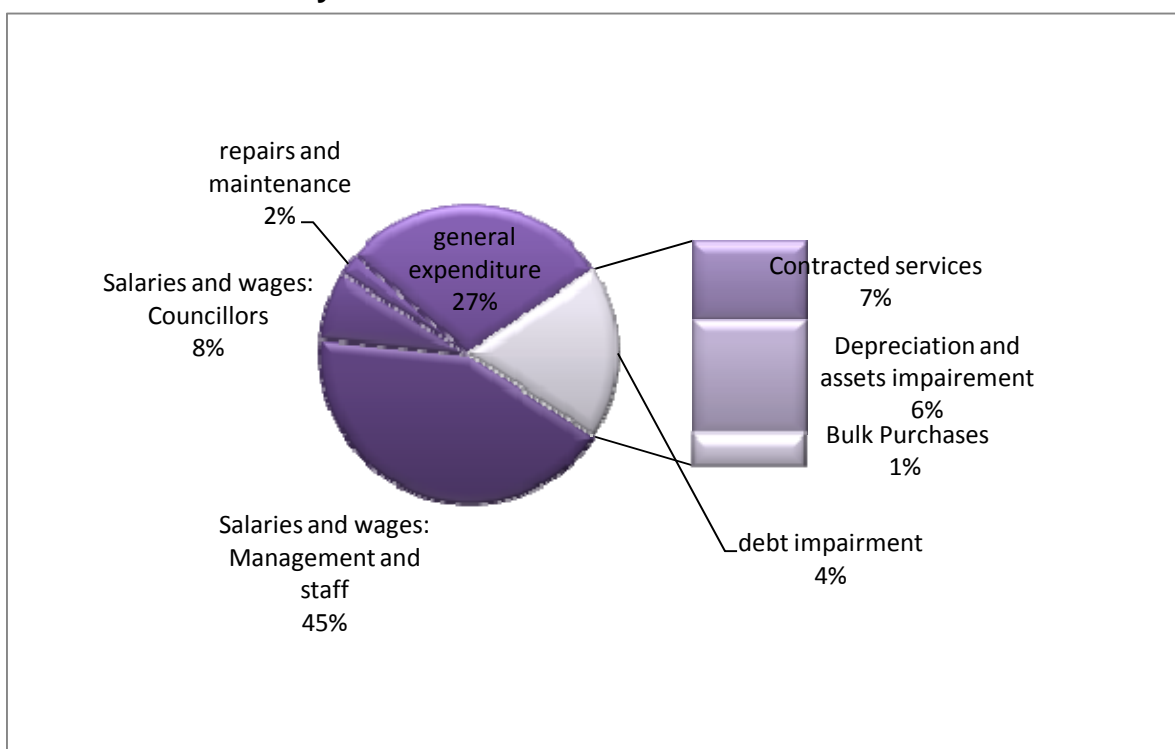
Bulk purchases are directly informed by free basic electricity. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures exclude distribution losses.

Other material comprises of amongst others the materials for repairs and maintenance for roads and bridges, buildings, parks and gardens, vehicles, etc. For 2012/13 the appropriation for this group of expenditure totals R 1.7 million and equates 2.1 per cent of the total operating expenditure.

Contracted services have been identified to render service on behalf of the Municipality. In the 2012/13 financial year budget for waste removal contract includes R2.6 million which was indirectly related to the rendering of refuse removal and 3.4 million for security services. This group of expenditure totals R 6 million and has escalated by 7.6 per cent. This major increase was caused by an increase in the number of points where security services is needed and the distance between the landfill site and the municipal collection points. For the two outer years growth has been limited to 5.3 per cent and 4.9 percent respectively.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved, an increased has been made to other expenditure by 0.6 per cent for 2012/13 when compares to 2011/12 adjustment budget, for 2014/15 financial period other expenditure increased by 4.5 per cent, indicating that significant cost savings have been already realized. Further details relating to contracted services can be seen in Table 55 MBRR SA1 (see page 74).

**The following table gives a breakdown of the main expenditure categories for the 2012/13 financial year.**



## 1.6. Capital expenditure

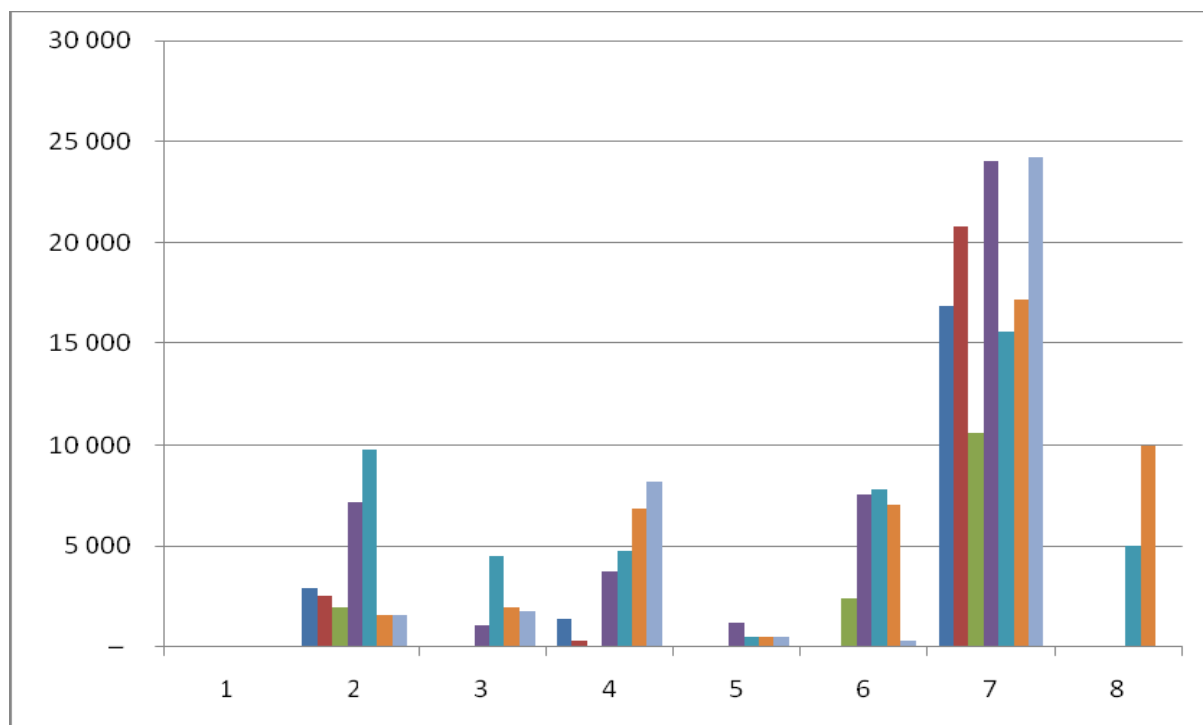
The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 09: 2012/13 Medium-term capital budget per vote**

Description	Adjusted Budget 2011/12	%	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15	%
<b>Capital expenditure</b>								
Corporate Services	7 169 104	16%	9 781 849	20%	1 607 319	4%	1 592 457	4%
Community and Social Services	1 100 000	2%	4 485 090	9%	1 975 000	4%	1 800 000	5%
Sports and Recreation	3 769 317	8%	4 748 247	10%	6 862 736	15%	8 200 000	22%
Waste Management	1 200 000	3%	500 000	1%	500 000	1%	524 500	1%
Waste water Management	7 529 938	17%	7 792 364	16%	7 026 764	16%	279 690	1%
Roads and Transport	24 020 725	54%	15 582 611	33%	17 165 500	38%	24 190 310	66%
Electricity	-		5 000 000	10%	10 000 000	22%	-	
<b>Capital multi-year expenditure sub-total</b>	<b>44 789 084</b>	<b>100%</b>	<b>47 890 162</b>	<b>100%</b>	<b>45 137 319</b>	<b>100%</b>	<b>36 586 957</b>	<b>100%</b>

For 2012/13 an amount of R15.5 million has been appropriated for the development of Transport and roads which represents 33 per cent of the total capital budget. In the outer years this amount totals R17 million, 38 per cent and R24 million, 66 per cent respectively for each of the financial years. Transport and roads receives the highest allocation when compares to other capital expenditure followed by corporate services by 20 percent with an amount of 9.7 million in 2012/13 financial period and waste water management by 16 percent in 2012/13 financial period with an amount of 7.7 million, increased by 15 percent and decreased to 1 percent for the two outer years

The following graph provide a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF



	2008/9	2009/10	2010/11	2011/12	2012/13	+1 2013/14	+2 2014/15
-							
Corporate Services	2 921 278	2 508 279	1 992 065	7 169 104	9 781 849	1 607 319	1 592 457
Community and Social Services	-	-	-	1 100 000	4 485 090	1 975 000	1 800 000
Sports and Recreation	1 415 778	317 021	-	3 769 317	4 748 247	6 862 736	8 200 000
Waste Management	-	-	-	1 200 000	500 000	500 000	524 500
Waste water Management	-	-	2 418 311	7 529 938	7 792 364	7 026 764	279 690
Roads and Transport	16 816 743	20 759 226	10 605 791	24 020 725	15 582 611	17 165 500	24 190 310
Electricity	-	-	-	-	5 000 000	10 000 000	-
<b>Total capital</b>	<b>21 153 799</b>	<b>23 584 525</b>	<b>15 016 167</b>	<b>44 789 084</b>	<b>47 890 162</b>	<b>45 137 319</b>	<b>36 586 957</b>

## 1.7 Annual Budget Tables - Parent Municipality

See attached copy of A1 schedule which represents the ten main budget tables (Table A1 to Table A10) as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2012/13 budget and MTREF as approved by the Council.

- **Table A1 (10)– Budget Summary**

### **Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - I. Transfers recognized are reflected on the Financial Performance Budget;
    - II. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2013/14, when a small surplus is reflected

- **Table A2 (11) - Budgeted Financial Performance (revenue and expenditure by standard classification)**

**Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)**

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. The Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Water and Waste water functions, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

- **Table A3 (12) - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

**Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the municipality. This means it is possible to present the operating surplus or deficit municipal vote.

- **Table A4 (13) - Budgeted Financial Performance (revenue and expenditure)**

**Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)**

1. Total revenue is R106.9 million in 2012/13 and plummets to R101.1 million by 2013/14. This shows a decrease of 5.2 per cent for the 2013/14 financial year and 2.2 per cent for the 2014/15 when compared to total revenue from previous years.
2. Revenue to be generated from property rates is R12 million in the 2012/13 financial year and increases to R14 million by 2013/14 which represents 16.7 per cent of the operating revenue base of the municipality and therefore remains a

significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 16.4 per cent, 16.7 per cent and 14.3 per cent for each of the respective financial years of the MTREF.

3. Other revenue like town planning fees, building plans, clearance certificates, income from Transnet houses, etc constitutes the biggest component of the revenue basket of the municipality totaling R19.8 million for the 2012/13 financial year and decreased to R7.4 million by 2014/15. For the 2012/13 financial year other revenue amount to 29.1 per cent of the total revenue base and declined by 3.7 per cent to 2014/15. This growth can mainly be attributed to the increase of water consumption.
4. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. The grants receipts from national government are growing rapidly over the MTREF by 13.9 per cent and 7.6 per cent for the two outer years when compared to the operating grants for previous years.
5. Bulk purchases have significantly increased over the 2011/12 to 2014/15 period escalating from R632 thousands to R663 thousands Rands.
5. Employee related costs and bulk purchases are the main cost drivers within the municipality

- **Table A5(14) - Budgeted Capital Expenditure by vote, standard classification and funding source**

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2012/13 R47.9 million has been allocated for capital expenditure which totals 6.9 per cent when compares to 2011/12 adjustment budget. This allocation plummets to R36.5 million in 2014/15
3. The capital programme is funded from capital and provincial grants and transfers and internally generated funds from current year surpluses. For 2012/13, capital transfers totals R35.1 million and escalates to R33.6 million by 2013/14

- **Table A6( 15) - Budgeted Financial Position**  
**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table A6 is supported by an extensive table of notes SA3 which providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions noncurrent;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

- **Table A7(16) - Budgeted Cash Flow Statement**  
**Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the municipality fell significantly over the 2008/09 period owing directly to a net decrease of R3.6 million



4. The approved 2011/12 MTREF provide for a further net decrease in cash of R 289 for original budget and thereafter results to an increase of R25 000 when the amendment budget took place.
5. As part of the 2011/12 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were implemented such as the reduction of expenditure allocations and rationalization of spending priorities.
6. The 2012/13 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
7. Cash and cash equivalents totals R18.1 million as at the end of the 2012/13 financial year and escalates to R26.4 million by 2014/15.

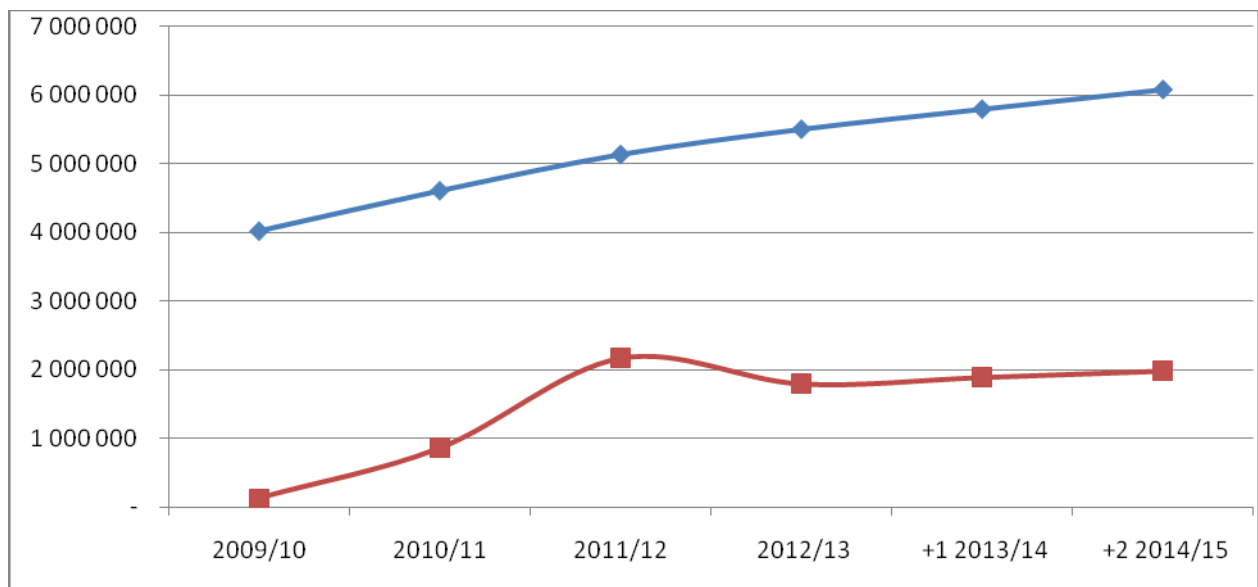
#### **Table A8 (17) - Cash Backed Reserves/Accumulated Surplus Reconciliation**

- **Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**
  1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
  2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
  3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
  4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
  5. From the table it can be seen that for the period 2009/10 there is a deficit deteriorated of 7.9 million.
  6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2008/09 MTREF was not funded owing to the significant deficit of 4.7 million.
  7. As part of the budgeting and planning guidelines that informed the compilation of the 2012/13 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.
  8. As can be seen the budget has been modeled to progressively move from a deficit of R 270 000 to 9.4 million by 2013/14.

- **Table A9 (18)- Asset Management**

#### **Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality does not meet these recommendations because they do repair in house
3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog



description	2009/10	2010/11	2011/12	2012/13	+1 2013/14	+2 2014/15
Depreciation & asset impairment	4 024 621	4 609 005	5 134 244	5 500 000	5 791 500	6 075 284
repairs and maintenance	128 492	860 294	2 170 000	1 795 000	1 890 135	1 982 752

- **Table A10 (19)- Basic Service Delivery Measurement**  
**Explanatory notes to Table A10 - Basic Service Delivery Measurement (see attached document)**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. The municipality continues to make good progress with the eradication of backlogs:
  - education - more than one third of the adult population lack any kind of schooling 67% of Maruleng population between the ages of 5 and 24 are attending schools and 27% are however not attending school
  - Water services – Maruleng municipality is characterized by low rainfall, this results in limited water resources culminating in severe water

shortages and drought condition. About 16721 households which amount to 68% of the population have access water in terms of RDP standards, only 2.3% of the population has access to portable water

- Sanitation services – about 22905 households which about 93.15 % of the population have access to sanitation backlog will be reduced by over 2000 households over the MTREF. The number of households with no toilet provision will be reduced by 1000 households in 2011/12
  - Electricity services –the electricity for the municipality is generated by Eskom, the provision of electricity to household have access to electricity which amount to 93.5% of the population. All the villages are electrified except posy connections and new extension; the backlog is about 1528 households. The municipality has budgeted R1 million for the provision of FBE to its indigents household.
  - Refuse services – the municipality provides waste collection services in two areas which arc are Hoedspruit and kampersrus for a total of 1229 household and in accounts to about 5% of households. In both commercial and residential area the collection takes place once in a week. No refuse removal is provided to the 33 villages. Those households rely mostly on backyards dumping and burning. The municipality has collection and transporting. The future plan for the municipality is to roll out waste collection to all villages.
3. Indigent register- the municipality has adopted policy and register. This register
- The register facilitates the provision of free basic services; the updated indigents register has about 8249 households as beneficiaries.

## **PART 2 – SUPPORTING DOCUMENTATION**

### **2.1 Overview of the Annual Budget Process**

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

#### **2.1.1 BUDGET PROCESS OVERVIEW**

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2011) a time schedule that sets out the process to revise the IDP and prepare the budget.

##### **2.1.1.1. CONTENT OF THE MUNICIPALITY IDP PROCESS PLAN**

This plan outlines the following:

- Phases and activities of the IDP process
- Structures that will manage the planning process and their respective roles
- Public/community participation or involvement
- Time schedule for the planning process
- Roles and responsibilities for participants
- Monitoring of the process

### 2.1.1.2. PHASES/STAGES OF THE IDP PROCESS

The table below shows the phases/stages of the IDP process and activities entailed for the Review of 2011/12 IDP.

IDP PHASES	ACTIVITIES
PREPARATORY	<ul style="list-style-type: none"> <li>• Identification and establishment of stakeholders and or structures and sources of information</li> <li>• Development of the IDP Process Plan</li> </ul>
ANALYSIS PHASE	<ul style="list-style-type: none"> <li>• Compilation of levels of development and backlogs that suggest areas of interventions</li> </ul>
STRATEGIES PHASE	<ul style="list-style-type: none"> <li>• Reviewing the Vision, Mission, Strategies and objectives</li> </ul>
PROJECT PHASE	<ul style="list-style-type: none"> <li>• Identification of possible projects and their funding sources</li> </ul>
INTEGRATION PHASE	<ul style="list-style-type: none"> <li>• Sector Plans summary inclusion and programmes of action</li> </ul>
APPROVAL PHASE	<ul style="list-style-type: none"> <li>• Submission of Draft IDP to Council</li> <li>• Road-show on Public Participation and publication</li> <li>• Amendments of draft IDP/Budget according to comments/inputs received</li> <li>• Submission to Council for Final</li> <li>• Approval and adoption by Council</li> </ul>

### 2.1.1.3. STRUCTURES THAT MANAGE/ DRIVE THE IDP

The following structures will be responsible to develop, implement and monitor the IDP/Budget of MLM. Municipal Manager with the assistance of the IDP Manager shall facilitate all IDP activities.

STRUCTURE	COMPOSITION	ROLE
Council	Members of Council ( <b>chair: Speaker</b> )	Approve/adopt IDP and Budget
Executive Committee	Mayor, Portfolio Heads and members of the Management Committee	<ul style="list-style-type: none"> <li>▪ Political oversight</li> <li>▪ Assign responsibilities to Municipal Manager</li> <li>▪ Submit draft IDP to Council</li> </ul>

	<b>(chair: Mayor)</b>	
IDP Representative Forum	Government Departments, Ward Committee Members, CDWS, Traditional Leaders, CBOs, SOEs, Associations, Interest groups, Resource persons and Members of Council <b>(chair: Mayor)</b>	<ul style="list-style-type: none"> <li>▪ Represent interests of their constituencies</li> <li>▪ Debate and confirm priorities of the municipality</li> <li>▪ Monitor the performance of the planning and implementation processes</li> </ul>
IDP Steering Committee	<p><b>IDP Steering Committee</b></p> <p>-MM, Directors and Sectional Heads</p> <p><b>(chair: Municipal Manager Budget Committee)</b></p> <p>CFO, Internal Auditor and representatives from all Municipal Directorates</p> <p><b>(chair: Portfolio Head of B&amp;T)</b></p>	<ul style="list-style-type: none"> <li>• Compilation and implementation of the IDP</li> <li>• Provide technical expertise and support</li> <li>• Budgetary processes of the municipality</li> </ul>
Cluster Technical Committee (Local Managers Forum)	<p><b>Consists of:</b></p> <ul style="list-style-type: none"> <li>• Municipal Directors</li> <li>• Managers of local Sector Departments &amp; SOEs</li> <li>• IDP Manager <b>(chair: Municipal Manager)</b></li> </ul>	<ul style="list-style-type: none"> <li>• Alignment, coordination and integration</li> </ul>
Performance Audit Committee	<ul style="list-style-type: none"> <li>• Members of the Audit Committee</li> <li>• Internal Auditor</li> <li>• IDP/PMS Manager</li> </ul>	<ul style="list-style-type: none"> <li>• IDP/Budget/Performance monitoring</li> </ul>
Ward Committees	All Ward Committees	<ul style="list-style-type: none"> <li>• Link the planning process to their wards</li> </ul>

	( Chair: <b>Ward Councillors</b> )	<ul style="list-style-type: none"> <li>Assist in public consultation and participation</li> </ul>
Dept of Local Government & Housing	MEC for Local Government and Housing	<ul style="list-style-type: none"> <li>Assess/Evaluate the IDP, comment and monitor its implementation</li> </ul>

#### 2.1.1.4. PUBLIC PARTICIPATION

One of the main features about the integrated development planning process is the involvement of community and stakeholder organizations in the process. Participation of the affected and interested parties ensures that the IDP addresses the real issues that are experienced by the citizens of the municipality. The municipality will therefore:

- Conduct stakeholder identification exercise
- Ensure that the IDP representative Forum is the core structure that will provide direct representation of stakeholders in driving the IDP process
- Ensure that every phase of the planning process should allow public debates, recommendations and/or decisions that will guide the Council in its independent decision-making platform
- Arrange IDP meetings at a convenient venue and time
- Ensure participation of marginalized groupings

Areas of focus are in the identification of strategic development priorities as well as prioritizing resource allocation to programmes and projects.

#### 2.1.1.5. POWERS AND FUNCTIONS OF MARULENG LOCAL MUNICIPALITY

Powers and functions conferred to the municipality are as provided for in the **Provincial Notice of Establishment of Municipalities, notice 309 of 2000, Government Gazette no.615/2000** and adjusted by the MEC for Local Government and Housing, in terms of **Limpopo Provincial Government Gazette no. 878 of March 2003**, where the following were transferred to Local Municipalities:

- Building regulations
- Billboards and the display of advertisements in public places
- Local tourism
- Municipal planning
- Storm water management
- Municipal parks and recreation
- Municipal roads
- Special programmes
- Disaster management
- Street lighting
- Refuse removal, refuse dumps and solid waste
- Traffic and licensing

#### 2.1.1.6. LEGISLATIVE AND POLICY REQUIREMENTS

In planning for the development of its area, Maruleng Local Municipality will be guided by the following legislative provisions and national and policy framework documents that are applicable to local government:

- Objectives of Local Government.....section 152 of the constitution
- National Spatial Development Perspective(NSDP)
- Limpopo Employment Growth and Development Plan (LEGDP)
- Limpopo Provincial Spatial Rationale
- The Key Performance Areas provided for in the Local Government Strategic Agenda
- Medium Term Strategic Framework (MTSF)
- Municipal Turnaround Strategy
- Comprehensive Rural Development Plan
- Manifesto of the Ruling Party

#### 2.1.1.7. LOCALISED DEVELOPMENT PLANNING GUIDELINES

While legislative provisions and national and provincial policies should guide the planning and development, municipalities should also look into the material conditions prevailing prevalent at their areas. These would be referred to as localized planning guidelines. Maruleng Municipality's development planning will be guided locally by information with respect to:

- **Down-stream:** poverty stricken communities, drought, high level of HIV and AIDS, poor socio-economic infrastructure, high skills shortage, disintegrated human settlement and environmental issues.
- **Up-stream:** tourism and agricultural high potentials
- State of the Nation Address-2012
- State of the Provincial Address-2012
- Prioritization model
- Available resources

The above should guide areas of emphasis to projects initiation and resource allocation.

#### 2.1.1.8. MECHANISMS AND PROCEDURES FOR ALIGNMENT

**Alignment** is one of the core principles of **Co-operative Governance as enshrined in chapter 3 of the Constitution**. There are two types of alignments namely:

- Horizontal alignment- ensures that planning processes and co-ordination are jointly done between Maruleng and Mopani District municipality
- Vertical alignment- between the municipality and Sector Departments to ensure that the IDP is in line with the national and provincial policies, legislation and strategies.



As provided for in Section 25 of the Municipal Systems Act 32/2000, the following milestones of alignment should be attained:

- Budgeting process of the municipality should be aligned with the IDP process in the way that allocation would be informed by the priorities and objectives emanating from the IDP
- National, Provincial Departments and District programmes or projects at the municipal level should be aligned with the municipal development priorities and objectives
- All developmental Initiatives by ANYONE should only be approved on the basis that they find expression in the priorities and objectives of the IDP.

#### **2.1.1.9. INTERGOVERNMENTAL STRUCTURES**

The following are some of the intergovernmental structures:

Horizontal Alignment	Vertical Alignment
Mayors Forum	Premier-Mayors Forum
Portfolio Committees	Provincial HOD Lekgotla
Speakers Forum	Provincial Planners Forum
IDP Representative Forum	Cluster and Technical Committees
Local Managers Forum	District Planners Forum
IDP Steering Committee	
Clusters and Technical Committees	

#### **2.1.1.10. IDP ACTIVITY FLOW**

- The office of the Municipal Manager shall provide both facilitation and secretariat of the IDP Steering Committee and Representative Forum
- The IDP Steering Committee shall be involved in the drafting of the IDP Process plan
- The Municipal Manager on behalf of the Steering Committee shall submit the Process plan to the Mayor
- The Mayor shall submit the Process to the Executive Committee
- Executive Committee shall submit the Process plan to the Council
- The Office of the Municipal Manager shall facilitate the Steering Committee in drafting the IDP in all phases
- The Office of the Municipal Manager shall monitor planning processes in all phases
- The draft IDP shall be submitted to the Mayor for his oversight
- The Mayor shall submit the draft IDP to the Rep. forum and Executive Committee
- The Mayor shall submit the draft IDP/Budget to the Council

- The Council shall approve both the process plan and the IDP/Budget

#### **2.1.1.11. ACTIVITY PROGRAMME**

The activity plan shall take into account the District planning processes as well as the Provincial planning cycle for support by Sector Departments.

TIMEFRAME	ACTIVITY
30 October 2011	Status Quo Analysis phase
30 November 2011	Strategy phase
31 December 2011	Project phase
31 January 2012	Integration phase
28 February 2012	Draft IDP/Budget compiled
31 March 2012	Approval of Draft IDP and Budget
1 April – 30 April 2012	Publish IDP for public comments
1- 20 May 2012	Public Participation Meetings
31 May 2012	Final Adoption of the IDP and Budget
31 May – 30 June 2012	Compilation of SDBIP, summary of IDP and approval of the process plan
12 June 2012	IDP and Budget submitted to National Treasury , MEC, etc
20 June 2012	Public Notice on the adoption of the IDP/Budget
28 June 2012	Mayor signs the SDBIP
29 June 2012	S57 Managers sign Performance Agreements

**2.1.1.12. Table 20: IDP/BUDGET ACTIVITY SCHEDULE (JULY 2011-JUNE 2012)**

DATE	IDP	BUDGET	RESPONSIBILITY
22 July 2011	IDP Steering Committee: Process Plan	Commencement of budget related processes	MM, IDP Manager and CFO
11 August 2011	IDP Representative Forum: Process plan		MM, IDP Manager
31 August 2011		Submit Financial statements to Provincial & National Treasury, the Auditor General and DLGH	MM, CFO
16 September 2011	Council Sitting: Adopts process plan		Mayor, MM
6 October 2011	IDP Steering Committee: Analysis phase		MM
13 October 2011	IDP Representative Forum: Analysis Phase		MM,
24- 25 October 2011	Councillors Training		MM, Director CS
26-28 October 2011	Strategic Planning Session: Strategies phase		MM,IDP Manager
10 November 2011	IDP Steering Committee: Strategy Phase		MM, IDP Manager
17 November 2011	IDP Representative Forum: Strategies phase		MM
17 November 2011	EXCO: Noting the Strategies phase		MM
30 November 2011	Council sitting: Adopts Strategies phase		Mayor, MM

30 November 2011		Budget Committee : commence preparation of departmental operational plans & SDBIP aligned to the strategic priorities and inputs from stakeholders	MM, CFO
5 December 2011	IDP Steering Committee:  Project phase		
6 December 2011		Budget Committee: First draft budget	CFO
7 December 2011	Managers Forum: Project phase		MM
14 December 2011	EXCO: Noting the Projects	Conclude first budget draft and policies for initial Council discussion	MM
9 January 2012	IDP Steering Committee: Integration Phase		MM
16 January 2012	IDP Representative Forum: Projects & Integration		MM, IDP Manager
18 January 2012	Management Lekgotla: Half year IDP performance report and Annual Report for 2009/10	Half year budget performance report	MM, CFO, IDP Manager
20 January 2012	EXCO: Noting Half year IDP performance report and Annual Report for 2009/10	EXCO: Noting Half year budget performance report	MM
26 January 2012	Council Sitting: Half year	-Tabling of the	Mayor, MM, CFO

	IDP performance report and Annual Report for 2009/10	Adjustment Budget - finalize detailed operating & capital budgets, integrate & align to IDP and draft SDBIP, finalize budget policies	
1 February 2012	Tabling of the 2009/10 Annual Report to the joint sitting of the Oversight and Performance Audit Committees		MM
6 February 2012	Publication of the Annual Report for public input	Budget Committee: Considers departmental budget proposals	CFO
28 February 2012		Budget Committee: Draft Budget finalized	CFO
2 March 2012	IDP Steering Committee: Draft IDP/Budget		MM, IDP Manager
7 March 2012	Managers Forum: Draft Budget/IDP		MM
9 March 2012	IDP Representative Forum: Draft IDP/Budget		MM, IDP Manager
12 March 2012	Oversight Committee: Oversight report		MM
16 March 2012	EXCO: Draft IDP/Budget		MM
30 March 2012	Council Sitting: - Adoption of Draft IDP/Budget - Adoption of the Annual Report for 2009/10 and Oversight Committee Report		Mayor, MM
4 April 2012	Submission of Draft IDP	Confirm Provincial and National	MM, CFO, IDP

	to DLGH for Analysis	allocation	Manager
8 April-30 April 2012	Publication of the draft IDP/Budget documents for public comments/ inputs	Publication of the draft MTEF Budget for 2011/12,2012/13 & 2013/14 fy's	MM, CFO, IDP Manager, Communication
04 May-11 May 2012	Public Participation on Draft IDP/Budget		MM, Office of the Speaker
14 May 2012	IDP Steering Committee: Effect changes to Draft IDP/Budget as per public comments. Develop IDP process plan for 2011/11	Amendment of the Draft Budget as per public participation process	MM, CFO, IDP Manager
17 May 2012	Managers Forum: final Draft IDP/Budget		MM
18 May 2012	IDP Representative Forum: Consider final Draft IDP/Budget, Draft IDP process plan for 2011/12		MM, IDP Manager
24 May 2012	EXCO: Final Draft IDP/Budget, Process Plan		MM
30 May 2012	Council sitting: Adoption IDP/Budget for 2011-2014, adopt IDP process plan for 2011/12	Adoption of the Budget for 2011-14	Mayor, MM
4-08 June 2012	IDP Steering Committee: Working Session on SDBIP	SDBIP	MM, IDP Manager
10 June 2012	Submission of IDP to the MEC for Local Government and Housing	Submission of the Approved IDP & Budget to Provincial and National Treasury	MM,CFO
11 June 2012	IDP Summary & Notice for approved IDP/Budget		MM,CFO

28 June 2012	EXCO: Final SDBIP		MM
28 June 2012	Adoption of the SDBIP	Adoption of the SDBIP	Mayor
29 June 2012	Signing of Performance Contracts by S57 Managers		Mayor, MM

## 2.2. MONITORING AND EVALUATION OF THE PROCESS PLAN

Maruleng Local Municipality will be responsible for monitoring its own IDP/Budget Process Plan and ensure that is being followed as approved. The municipal IDP office must check and report compliance to intergovernmental structures and the District municipality for support interventions. This process will also be linked to the SDBIP reporting cycle as adopted by the Mayor.

The 2012/13 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure

## 2.3. Overview of alignment of Annual Budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents.

The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists

alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Updating baseline information to ensure sound decision-making in addressing service delivery gaps;
- Meeting the national targets in terms of service provisioning;
- Responding to key issues raised in the 2012 State of the Nation Address "growth and jobs creation", the Province Address, "acceleration of service delivery and job creations" and the Municipal Mayor's address
- Aligning Sector Departments' strategic plans to the municipality service delivery programmes;
- Strengthening focused Community and stakeholder participation in the IDP processes;
- Meeting targets in terms of the KPAs of the local government strategic agenda;
- Responding to the Community priorities for 2012/16 as reflected in the matrix on pages
- Responding to issues raised during the municipality Assessment (SWOT);
- Updating and developing pending sector plans and programmes of the IDP
- Revising the vision, mission, objectives, strategies, programmes and projects; and
- Alignment of IDP, Budget and PMS activities.
- Municipal Turn Around Strategy
- National Key Priority Areas and the National Outcomes

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP.

The following table highlights the IDPs five strategic objectives for the 2012/13 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 20 IDP Strategic Objectives**

<b>2011/12 Financial Year</b>	<b>2012/2013 MTREF</b>
Plan for the future Develop and retain skilled and capacitated workforce	Plan for the future Develop and retain skilled and capacitated workforce
Improve Community well-being through accelerated service delivery House the nation and build integrated human settlement	Improve Community well-being through accelerated service delivery House the nation and build integrated human settlement
Grow the economy and provide livelihood support Develop partnerships	Grow the economy and provide livelihood support Develop partnerships
Become financially viable Develop and retain skilled and capacitated workforce	Become financially viable Develop and retain skilled and capacitated workforce
Effective and efficient community involvement	Effective and efficient community involvement



In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarized as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - To ensure that households that qualify as indigent households are registered on the indigent register of the municipality
  - To provide a safe, healthy and sustainable environment
  - To ensure a mental and physical healthy
  - To prevent loss of lives and infrastructure due to disasters
  - To ensure safe and secure communities
  - To ensure quality of life for youth through national, provincial, municipal youth initiatives
  - To ensure quality of life of people with disabilities through national, provincial, municipal youth initiatives
2. Economic growth and development that leads to sustainable job creation by:
  - Speeding up growth and transforming the economy to create decent work and sustainable livelihoods i.e. expenditure management
  - To respond appropriately, promptly and effectively so that growth and decent employment as well as improvements in income security are reinforced and the sustainability of investments.
  - Implement the community work programme and cooperatives supported
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
  - To ensure that households that qualify as indigent households are registered on the indigent register of the municipality
  - To provide a safe, healthy and sustainable environment
  - To ensure safe and secure communities
  - To ensure quality of life for youth through national, provincial, municipal youth initiatives
- 3.2 Integrated Social Services for empowered and sustainable communities
  - Work with provincial departments to ensure the development of community Infrastructure such as schools and clinics is properly co-ordinated with the Informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
  - Optimizing effective community participation in the ward committee system; and
  - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
  - Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

### 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the Municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Develop and retain skilled and capacitated workforce
- Plan in an integrated manner
- Resource manage infrastructure and services for access and mobility
- Effective and efficient Organization
- Become financially viable
- Create smart partnerships
- Grow the economy and halve unemployment

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipality;
- Initiating zonal planning processes that involve the communities in the analysis and Planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2012/13 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure

Table 21 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective	Goal	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Municipal Transformation and organisational development	Create and informed community and Develop and retain skilled and capacitated workforce	24 998 802	26 412 357	50 998 085	39 800 633	61 277 902	61 277 902	73 973 218	84 545 710	81 588 977
Basic Service delivery	Improve community wellbeing and resource manage infrastructure and service for access and mobility	2 205 991	4 623 818	2 391 318	6 238 461	2 266 675	2 266 675	2 400 409	2 527 630	2 651 484
LED	Grow the economy and halve unemployment and develop partnership	2 990 918	3 581 114	4 335 470	5 325 000	1 481 130	1 481 130	4 231 579	691 377	725 255
Municipal Financial Viability and Management	Become financially viable	37 733 391	10 749 928	4 133 027	26 975 800	22 414 956	22 414 956	26 332 950	13 593 917	14 220 416
Good Governance and Public Participation	Effective and efficient organisation	366 974	25 883 567	14 985 753	33 451 661	33 279 734	33 279 734	30 174 000	31 829 999	33 670 000
total revenue excluding capital transfer and gains and contribution		68 296 076	71 250 784	76 843 653	111 791 554	120 720 396	120 720 396	137 112 155	133 188 633	132 856 132

**Table 22: Reconciliation between the IDP strategic objectives and budgeted operating expenditure**

Strategic Objective  R thousand	Goal	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Municipal Transformation and organisational development	Create, inform community and Develop retain skilled capacitated workforce	19 407 473	21 044 581	18 408 791	33 906 385	19 784 978	19 784 978	15 821 370	5 323 799	5 529 435
Basic Service delivery	Improve community wellbeing and resource manage infrastructure and service for access and mobility	4 358 678	392 348	4 781 476	2 145 000	6 230 000	6 230 000	6 910 000	7 071 630	7 418 140
LED	Grow the economy and halve unemployment and develop partnership	112 940	3 581 114	2 945 968	5 325 000	460 000	460 000	1 810 000	810 530	850 246
Municipal Financial Viability and Management	Become financially viable	39 555 732	14 981 398	30 031 396	33 093 848	48 632 003	48 632 003	58 339 617	72 774 568	76 448 341
Good Governance and Public Participation	Effective and efficient organisation	4 494 279	5 367 776	4 576 778	5 947 487	3 970 000	3 970 000	4 500 000	3 745 330	3 835 751
0		67 929 102	45 367 217	60 744 408	80 417 721	79 076 981	79 076 981	87 380 987	89 725 857	94 081 914

**Table 23 Reconciliation between the IDP strategic objectives and budgeted capital expenditure**

Strategic Objective  R thousand	Goal	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Municipal Transformation and organisational development	Create and informed community and Develop and retain skilled and capacitated workforce		317 021	641 459	3 400 000	395 000	395 000	2 695 090	150 000	1 000 000
Basic Service delivery	Improve community wellbeing and resource manage infrastructure and service for access and mobility	19 544 579	20 759 226	13 024 102	26 426 761	39 896 980	39 896 980	41 007 121	43 300 149	33 541 615
LED	Grow the economy and halve unemployment and develop partnership							400 000		
Municipal Financial Viability and Management	Become financially viable		2 508 279	1 350 606	4 431 200	2 187 104	2 187 104	2 937 950	1 497 630	1 846 514
Good Governance and Public Participation	Effective and efficient organisation	1 609 220				2 310 000	2 310 000	850 000	189 540	198 827
<b>Total Capital Expenditure</b>		<b>21 153 799</b>	<b>23 584 525</b>	<b>15 016 167</b>	<b>34 257 961</b>	<b>44 789 084</b>	<b>44 789 084</b>	<b>47 890 162</b>	<b>45 137 319</b>	<b>36 586 957</b>

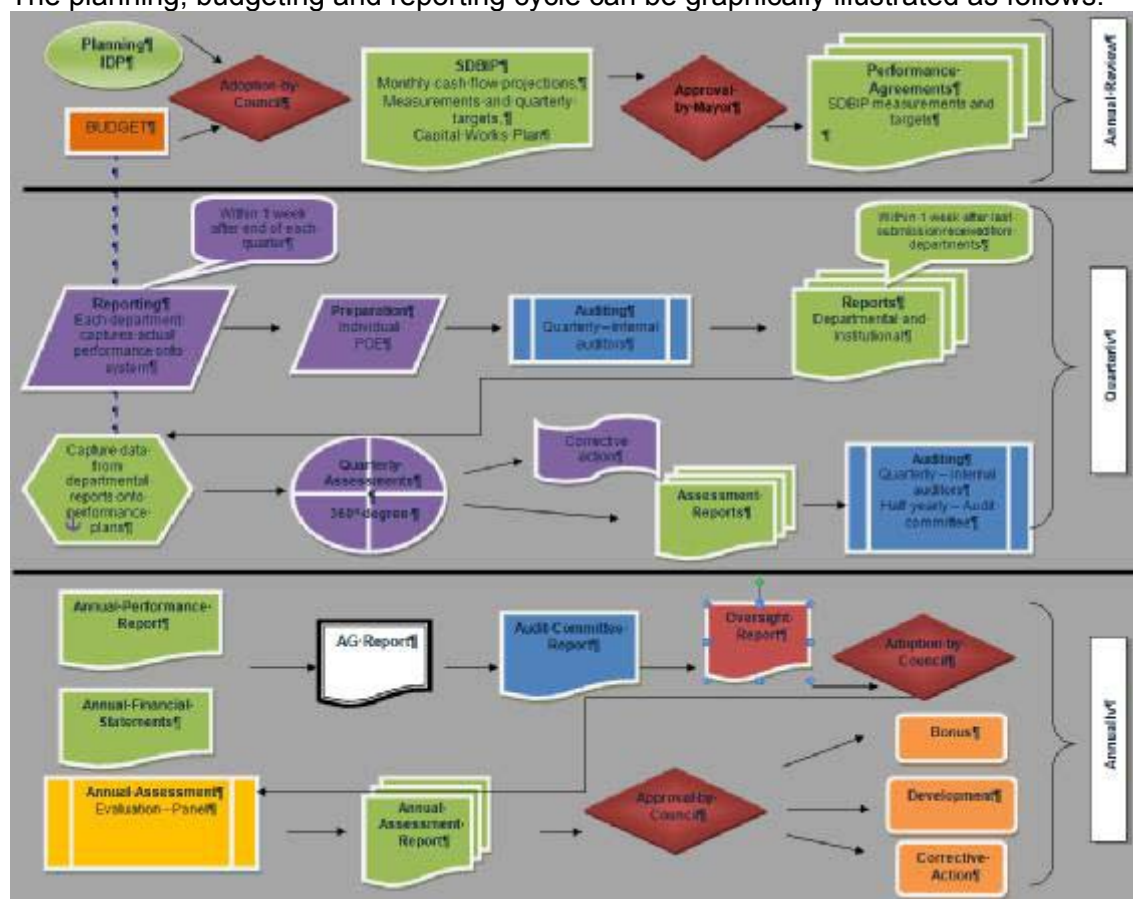
## 2.4. Measurable Performance Objectives and Indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organizational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

Reporting in the monitoring process also involves giving feedback about the progress of the project to the donors, implementers and beneficiaries of the project.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:



**Figure 5 Planning, budgeting and reporting cycle**

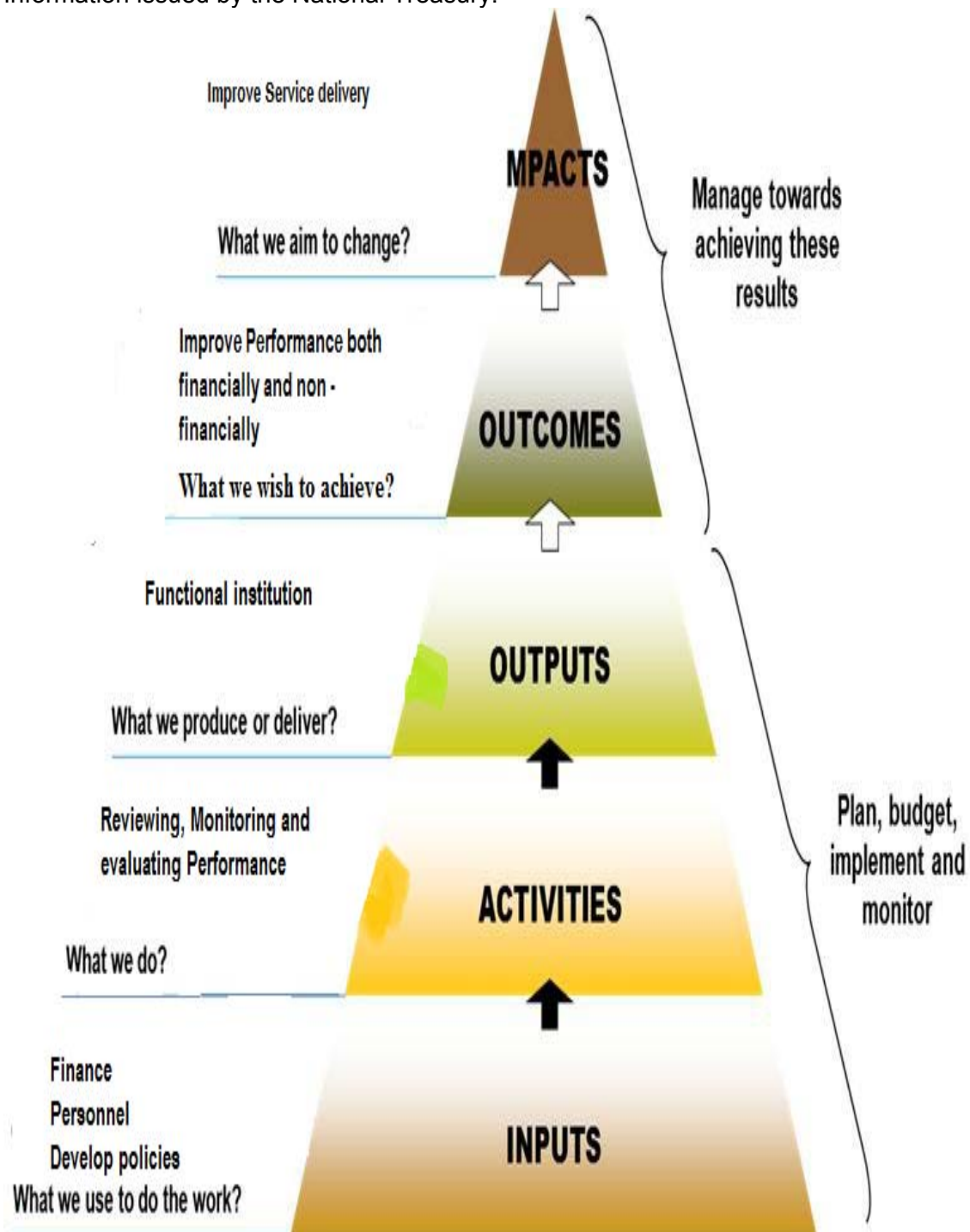
Monitoring is the regular observation and recording of activities taking place in a project or programme. Relevant data is gathered in an efficient and timely manner and in sufficient quantities to provide meaningful results after which it is processed to identify and categorize factors relevant to specific concerns. In monitoring, data should be analysed and the results displayed so that personnel can take appropriate actions.

Monitoring which involves a process of routinely gathering information on all aspects of the objective, programme or project has been operationalised within the Maruleng Local Municipality by making use of the SDBIP reporting to monitor quarterly progress towards targets as set out. Cascading the SDBIP further down to the departmental/sectional level will help Maruleng Local Municipality to review performance quarterly and be able to take necessary steps to improve performance where performance targets are not met.

Assessment is a process of measuring or quantifying the level of attainment or competence within a specified domain whereby scores are attached to see how well the theme, objective,

programmes or projects have been achieved. On the other hand evaluation is determining of value, or the measurement of value added. The municipality needs to determine whether, or not, the programme or project adds value or is contributing to the organisation's strategy.

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the Framework of Managing Programme Performance Information issued by the National Treasury:



**Figure 6 Definition of performance information concepts**

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 24: MBRR Table SA7 Measureable performance objectives

Description	Unit of measurement	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Public works: Roads and Storm water	Kilometer	1.0%	5.0%	4.5%	2.5%	2.5%	2.5%	3.0%	4.5%	5.0%
Function - Roads										
Sub-function- Eradication of baglogs										
<i>Reduce roads backlogs</i>										
Sub-function - Roads maintained	Kilometer	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%	2.0%	1.5%	1.0%
<i>surfaced roads resurfaced/ rehabilitation</i>										
Sub-function - Roads for growth	Kilometer	1.0%	5.0%	4.5%	2.5%	2.5%	2.5%	3.0%	4.5%	5.0%
<i>New roads to be constructed</i>										
Function - Storm water										
Sub-function - Reduction of backlog	Kilometer	1.0%	1.5%	1.0%	6.0%	6.0%	6.0%	4.0%	3.5%	4.0%
<i>storm water drainage to reduce backlogs</i>										
Sub-function - Storm water for growth	Kilometer	0.0%	0.0%	3.0%	0.0%	0.0%	0.0%	4.0%	3.5%	4.0%
<i>Storm water drainage to stimulate growth</i>										
Function- Sanitation	Number	79.9%	79.9%	79.9%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sub-function- Eradication of sanitation backlogs										
<i>household provided with a sanitation connection</i>										
New bulk sewer pipelines										
New internal sewer pipelines	Meter	15.0%	15.0%	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sub-function- maintenance of sanitation infrastructure										



The following table sets out the municipalities main performance objectives and benchmarks for the 2012/13 MTREF.

Table 25: MBRR Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b><u>Borrowing Management</u></b>											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.0%	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.0%	0.4%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	-27.2%	1.9%	9.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Safety of Capital</u></b>											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b><u>Liquidity</u></b>											
Current Ratio	Current assets/current liabilities	1.8	2.2	2.3	2.6	2.5	2.5	–	2.1	1.7	1.4
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	1.8	2.2	2.3	2.6	2.5	2.5	–	2.1	1.7	1.4
Liquidity Ratio	Monetary Assets/Current Liabilities	0.5	0.9	1.5	1.0	1.6	1.6	–	1.3	1.0	0.7
<b><u>Revenue Management</u></b>											
Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		-7.6%	123.4%	79.3%	86.8%	92.3%	92.3%	0.0%	102.4%	84.2%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)			-7.6%	123.4%	79.3%	80.6%	86.8%	86.8%	0.0%	97.8%	81.4%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	21.7%	29.1%	21.7%	15.3%	7.6%	7.6%	0.0%	4.9%	4.5%	4.4%
Creditors to Cash and Investments		167.2%	58.0%	25.8%	65.0%	905.3%	905.3%	0.0%	19.3%	18.3%	16.0%
<b><u>Other Indicators</u></b>											

Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Water Distribution Losses (2)	% Volume (units purchased and own source less units sold)/Total units purchased and own source	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Employee costs	Employee costs/(Total Revenue - capital revenue)	43.2%	38.3%	42.6%	39.6%	34.4%	34.4%	0.0%	37.8%	44.3%	42.8%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	52.6%	48.1%	51.8%	46.5%	42.9%	42.9%		46.1%	54.1%	52.3%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	3.7%	1.3%	1.4%	2.4%	2.4%	2.4%		1.8%	2.1%	2.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	0.0%	7.5%	7.5%	4.8%	5.6%	5.6%	0.0%	5.4%	6.3%	6.1%
<b>IDP regulation financial viability indicators</b>	-										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	95.3	34.7	66.2	38.8	38.8	38.8	-	50.0	32.7	35.7
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	97.3%	152.2%	114.4%	86.8%	54.8%	54.8%	0.0%	34.1%	24.6%	23.1%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	0.8	3.7	5.9	1.8	0.1	0.1	-	3.3	3.6	4.4

## 2.4.1 Performance indicators and benchmarks

### 2.4.1.1 Borrowing Management

- Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. Maruleng Municipality does not have long term borrowing.

### 2.4.1.2 Safety of Capital

- The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors and overdraft and tax provisions as a percentage of funds and reserves. The debt to equity ratio for the Municipality is 0%

#### 2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 2:1, hence at no point in time should this ratio be less than 2. For the 2012/13 MTREF the current ratio is 2.1 and 1.7 and 1.4 for the two outer years of the MTREF.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2011/12 financial year the ratio was 1.6 and 1.3 in the 2012/13 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

#### 2.4.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive data cleansing and debt management strategy needs to be implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

#### 2.4.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has a favorable impact on supplier's perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

#### 2.4.1.6 Other Indicators

- The Municipality does not distribute electricity to the public the function is carried out by Eskom. Employee costs as a percentage of operating revenue continues to increase over the MTREF. This is primarily due to the increase in vacancy rate and budget for salary disparity.

### 2.4.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2012/13 financial year 23 390 registered indigents have been provided for in the budget with this figured increasing to 24 589 by 2013/14. In terms of the Municipality's indigent policy registered households are entitled to 6kℓ free water, 6 kℓ sanitation and as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in MBRR A10 (Basic Service Delivery Measurement

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

#### **2.4.3 Providing clean water and managing waste water**

Maruleng Municipality is not the Water Services Authority but acts as a water service provider, 100 per cent of the Municipality's bulk water needs are provided by Department of Public Work in the form of purified water.

### **2.5 Overview of budget related-policies**

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

#### **2.5.1 Review of credit control and debt collection procedures/policies**

- The Reviewed Collection Policy was applied by Council and adopted in May 2012, the policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the revisions included the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.
- The 2012/13 MTREF has been prepared on the basis of achieving an average debtors' collection rate on current billings. In addition the collection of debt in excess of 90 days has been prioritized as a relevant strategy in increasing the Municipality's cash levels. In addition,

#### **2.5.2 Inventory and Asset Management Policy**

- A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base.

#### **2.5.3 Budget Adjustment Policy**

- The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilized to ensure that underperforming functions are identified and funds redirected to performing functions.

#### **2.5.4 Supply Chain Management Policy**

- The Supply Chain Management Policy was reviewed and still need to be adopted by council. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

#### **2.5.5 Cash Management and Investment Policy**

- The Municipality's Cash Management and Investment Policy were reviewed and adopted by the council. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash

and a cash equivalent required at any point in time and introduces time frames to achieve certain benchmarks.

#### **2.5.6 Tariff Policies**

- The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies envisaged to be compiled for ease of administration and implementation of the next two years. The policies contains all the municipal tariffs for property rates, water, sanitation and refuse removals excludes tariffs for electricity because Maruleng Municipality does not sell electricity, the municipality is also not the water service Authority but water services provider, Municipality is selling water on behalf of the Mopani District.

#### **2.5.7 Indigent Policies**

- In terms of the Municipality's Indigent policy, Households with a total monthly gross income of R1 500,00 or less qualifies to a subsidy on property rates and services charges for sewerage and refuse removal and will additionally receive 6 kl of water per month free of charge.

#### **2.5.8. Property Rates Policy**

- Maruleng council in adopting this rates policy has sought to give effect to the sentiments expressed in the preamble of the Property Rates Act, The Rates policy allows the municipality to exercise their power to impose rates within a statutory framework which enhance certainty, uniformity and simplicity across the nation, and which takes account of historical imbalances and the burden of rates on the poor.

#### **2.5.9. Write off Policy**

- The policy is in accordance with the Local Government Municipal Finance Management Act 2003, Local Government Municipal Systems Act 2000, as amended and other related legislation. The Policy ensures that before any debt is written off it must be proved that the debt has become irrecoverable.

#### **2.5.10. Travel and Subsistence Policy**

- The purpose of this policy is to reimburse the necessary extra costs of meals, accommodation and travel arising as results of official duties away from home.

### **2.6. Overview of budget assumptions**

#### **2.6.1 External factors**

- Domestically, after five years of strong growth, during which about two million jobs were created, our economy shrank by an estimated 1.8 per cent last year and about 900 000 people lost their jobs. It is expected that recovery from this deterioration will be slow and uneven, and that growth for 2011 will be 2.3 per cent rising to 3.6 per cent by 2012.
- Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

### 2.6.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2012/13 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and
- The increase in the cost of remuneration. Employee related costs comprise 39.5 per cent of total operating expenditure in the 2012/13 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. The wage agreement SALGBC concluded with the municipal workers unions on 31 July 2009 as well as the categorization and job evaluation wage curves collective has lapsed and negotiation for other three years wage agreement will still be revised

### 2.6.3 Credit rating outlook

Table 26: Credit rating outlook

Security class	Currency	Rating	Previous Rating
Short term	Rand	Prime -1	Prime -1
Long term	Rand	Aa3	Aa3
Outlook	Rand	Negative	Negative

The rating definitions are:

- Short term : Prime – 1
- Short-Term Debt Ratings (maturities of less than one year)
- Prime-1 (highest quality)
- Long-term : Aa3
- Defined as high-grade. "Aa" rated are judged to be of high quality and are subject to very low credit risk.

### 2.6.4 Interest rates for borrowing and investment of funds

- The MFMA specifies that borrowing can only be utilized to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimize its interest rate costs and risk. However, the Municipality does not have long term loans.

### 2.6.5 Collection rate for revenue services

- The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

- The rate of revenue collection is currently expressed as a percentage of annual billings. Cash flow is assumed to be 77 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

#### **2.6.6 Growth or decline in tax base of the municipality**

- Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.
- Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing "households" is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the "poor household limits consumption to the level of free basic service

#### **2.6.7 Salary increases**

- The collective agreement regarding salaries/wages came into operation on 1 July 2009 and shall remain in force until 30 June 2012. The municipality has make use of 5 % wages increased until the new agreement for three years(2013 to 2015 FY) has revised

#### **2.6.8 Impact of national, provincial and local policies**

- Integration of service delivery between national, provincial and local government is critical to ensure focused service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:
  - Creating jobs;
  - Enhancing education and skill development;
  - Improving Health services;
  - Rural development and agriculture; and
  - Fighting crime and corruption.
- To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

#### **2.6.9 Ability of the municipality to spend and deliver on the programmes**

- It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2012/13 MTREF of which performance has been factored into the cash flow budget.

## 2.7 Overview of budget funding

### 2.7.1 Medium-term outlook: operating revenue

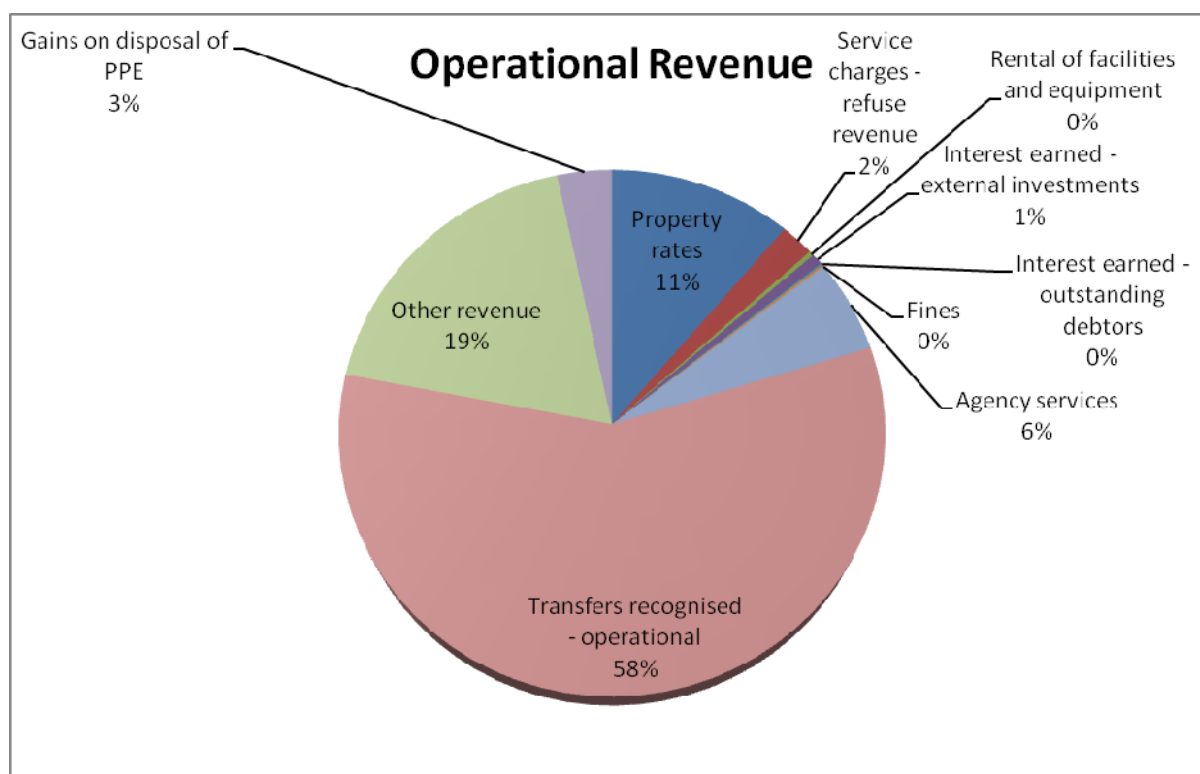
The following table is a breakdown of the operating revenue over the medium-term:

TABLE 27- Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2012/13 Medium Term Revenue & Expenditure Framework					
	Budget Year 2012/13		Budget Year +1 2013/14		Budget Year +2 2014/15	
<u>Revenue By Source</u>		%		%		%
Property rates	12,000,000	11%	14,000,000	14%	16,000,000	16%
Service charges - refuse revenue	2,207,723	2%	2,324,732	3%	2,438,644	2%
Rental of facilities and equipment	310,120	0%	326,557	0%	342,558	0%
Interest earned - external investments	750,000	1%	789,750	1%	828,448	1%
Interest earned - outstanding debtors	107,400	0%	113,092	0%	118,634	0%
Fines	139,445	0%	146,835	0%	154,030	0%
Agency services	6,136,105	6%	6,158,738	6%	6,503,215	7%
Transfers recognised - operational	61,813,000	58%	70,377,000	69%	65,412,000	66%
Other revenue	19,899,363	19%	7,121,929	7%	7,388,603	7%
Gains on disposal of PPE	3,575,000	3%	-	0%	-	
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>106,938,155</b>	<b>100%</b>	<b>101,358,633</b>	<b>100%</b>	<b>99,186,132</b>	<b>100%</b>
<b>Total Expenditure</b>	<b>86,915,461</b>		<b>88,616,963</b>		<b>93,010,337</b>	
<b>Surplus/(Deficit)</b>	<b>15,022,694</b>		<b>2,741,671</b>		<b>6,175,794</b>	



**Table 28-The following graph is a breakdown of the operational revenue per main category for the 2012/13 financial year.**



**Figure 1**

### **Figure 7 Breakdown of operating revenue over the 2012/13 MTREF**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of annual collection rate for consumer revenue;
- National Treasury guidelines;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA),
- And the ability to extend new services and obtain cost recovery levels. The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

**The proposed tariff increases for the 2012/13 MTREF on the different revenue categories are:**

**Table 29- Proposed tariff increases over the medium-term**

Revenue category	2012/13 proposed tariff increase	2013/14 proposed tariff increase	2014/15 proposed tariff increase	2012/13 Total Budgeted revenue
	%	%	%	%
Property rates				12,000,000
Solid waste	5.4	5.6	5.4	2,207,723
Total				14,207,723

Revenue to be generated from property rates is R12 million in the 2012/13 financial year and increases to R16 million by 2014/15 which represents 16 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

The Municipality is still in a process of further data verification and validation relating to the valuation roll.

As the levying of property rates is considered strategic revenue source supplementary valuation process are conducted twice in a year, during December and June of every financial year.

Services charges relating to refuse removal constitutes the second smallest component of the revenue basket of the Municipality totaling R2.2 million for the 2012/13 financial year and increasing to R2.4 million by 2014/15. For the 2012/13 financial year services charges amount to 2 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term.

Operational grants and subsidies amount to R61.8 million, R70.3 million and R65 million for each of the respective financial years of the MTREF, or 58, 69 and 66 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 10 per cent for the two outer years.

Rental of facilities and equipment contributes marginally to the revenue base of the Municipality with a budget allocation of R310,320, R326,556 and R342,558 for the respective three financial years of the 2011/12 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

**Table 30- MBRR – Detail Investment Information**

Investment type	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<u>Parent municipality</u>									
Deposits - Bank	3,689,982	1,831,608	14,166,776	4,462,500	8,532,720	8,532,720	7,000,000	6,000,000	4,500,000
Municipality sub-total	3,689,982	1,831,608	14,166,776	4,462,500	8,532,720	8,532,720	7,000,000	6,000,000	4,500,000

**Table 31- MBRR – Investment particulars by maturity**

Investments by Maturity	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3.	Commission Recipient	Expiry date of investment	Monetary value	Interest to be realised
Name of institution & investment ID	Yrs/Months							Rand thousand	
<u>Parent municipality</u>									
Standard bank investment	Months	call deposit	no	variable	4.25	830,000	32 days	1,200,000	830,000
Investec investment	Months	call deposit	no	variable	5.4	700,000	day to day	5,800,000	700,000
Municipality sub-total								7,000,000	1,530,000

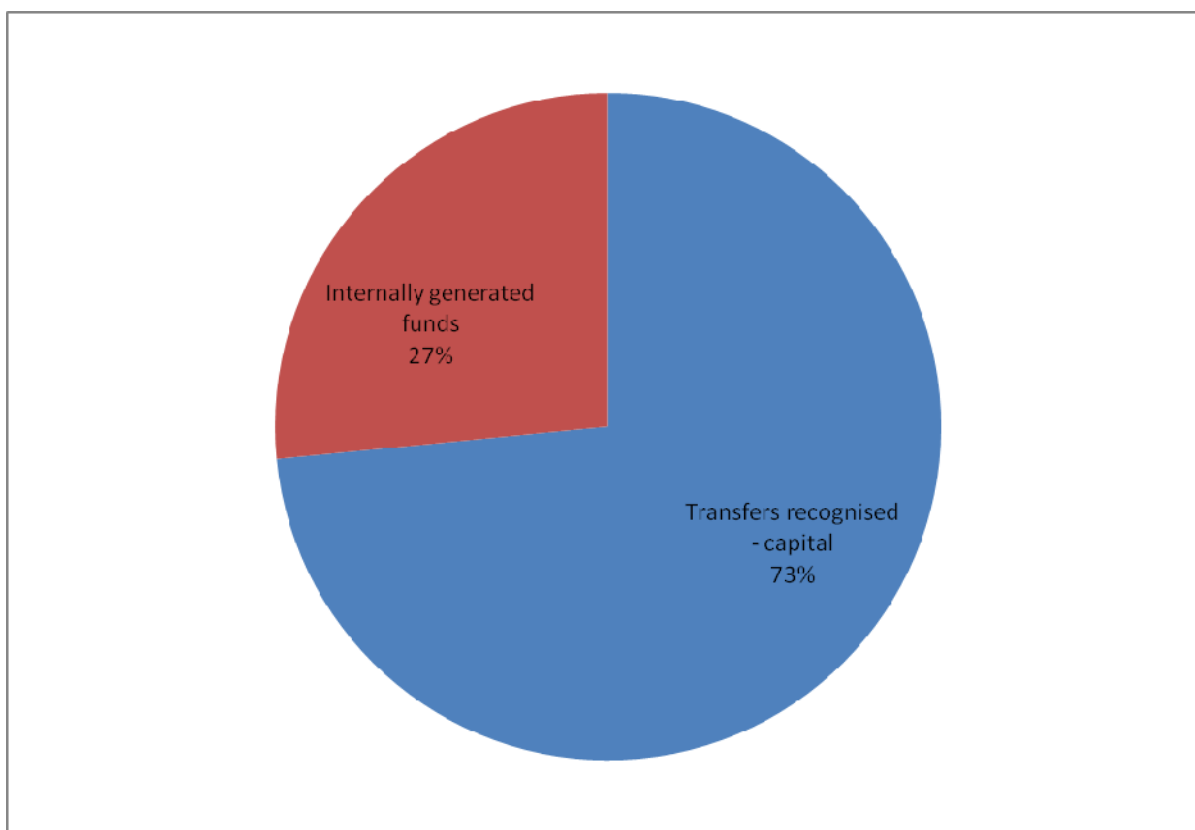
For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity.

### 2.7.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2012/13 medium-term capital programme:

**Table 32- Sources of capital revenue over the MTREF**

Vote Description	2012/13 Medium Term Revenue & Expenditure Framework					
	Budget Year 2012/13	%	Budget Year +1 2013/14	%	Budget Year +2 2014/15	%
<u>Funded by:</u>						
Transfers recognised - capital	35 174 000	73%	41 830 000	93%	33 670 000	92%
Internally generated funds	12 716 162	27%	3 307 319	7%	2 916 957	8%
Total Capital Funding	47 890 162	100%	45 137 319	100%	36 586 957	100%



**Figure 8 Sources of capital revenue for the 2012/13 financial year**

Capital grants and receipts equates to 73 per cent of the total funding source which represents R35.1 million for the 2012/13 financial year and steadily increase to R33.6 million or 91 per cent by 2014/15. Growth relating to internally generated funds receipts is 27, 7 and 9 per cent over the medium-term.

**Table 33-MBRR Capital transfers and grant receipts**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Capital Transfers and Grants</b>									
National Government: Municipal Infrastructure Grant (MIG)	20,785,000	18,545,000	14,985,753	26,066,921	29,279,734	29,279,734	30,174,000	31,830,000	33,670,000
Total Capital Transfers and Grants	20,785,000	18,545,000	14,985,753	26,066,921	29,279,734	29,279,734	30,174,000	31,830,000	33,670,000
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>52,548,014</b>	<b>59,101,244</b>	<b>56,585,013</b>	<b>80,532,921</b>	<b>84,093,808</b>	<b>84,093,808</b>	<b>86,987,000</b>	<b>92,207,000</b>	<b>99,082,000</b>

### 2.7.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from "Ratepayers and other to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue,

Table 34- MBRR - Table A7 Budgeted Cash Flows

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Ratepayers and other	-1 123 336	24 210 789	12 811 729	25 022 053	30 436 903	30 436 903	39 910 032	24 589 059	26 306 906
Government - operating	29 793 763	35 103 519	41 599 260	52 966 000	52 994 474	52 994 474	56 813 000	60 377 000	65 412 000
Government - capital	20 785 000	16 368 974	14 985 753	25 470 461	29 279 734	29 279 734	28 174 000	29 830 000	31 670 000
Interest	429 517	159 067	569 233	306 000	806 268	806 268	857 400	902 842	947 081
<b>Payments</b>									
Suppliers and employees	-43 837 650	-39 467 110	-47 408 131	-72 341 033	-70 442 737	-70 442 737	-77 915 461	-79 139 963	-83 068 964
Finance charges	-20 838	-72 055	536 520						
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>6 026 456</b>	<b>36 303 184</b>	<b>23 094 364</b>	<b>31 423 480</b>	<b>43 074 642</b>	<b>43 074 642</b>	<b>47 838 972</b>	<b>36 558 939</b>	<b>41 267 024</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Proceeds on disposal of PPE			4 180 000	-					
Decrease (Increase) in non-current debtors				1 950 000	1 950 000	1 950 000	1 850 000	844 000	-249 000
Decrease (increase) other non-current receivables				1 890	1 890	1 890			
Decrease (increase) in non-current investments				-212 500	-212 500	-212 500	1 532 270	1 000 000	1 500 000

Payments									
Capital assets	-9 557 698	-28 834 381	-15 167 039	-33 451 661	-44 789 084	-44 789 084	-44 665 915	-35 569 049	-37 039 841
NET CASH FROM/(USED) INVESTING ACTIVITIES	-9 557 698	-28 834 381	-10 987 039	-31 712 271	-43 049 694	-43 049 694	-41 283 645	-33 725 049	-35 788 841
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Borrowing long term/refinancing	-100 314	136 666	16 092						
NET CASH FROM/(USED) FINANCING ACTIVITIES	-100 314	136 666	16 092	-	-	-	-	-	-
NET INCREASE/(DECREASE) IN CASH HELD	-3 631 556	7 605 469	12 123 417	-288 790	24 948	24 948	6 555 327	2 833 889	5 478 182
Cash/cash equivalents at the year begin:	6 638 882	3 007 326	10 612 795	9 274 790	620 575	620 575	11 600 000	18 155 327	20 989 216
Cash/cash equivalents at the year end:	3 007 326	10 612 795	22 736 212	8 986 000	645 523	645 523	18 155 327	20 989 216	26 467 398

- The above table shows that cash and cash equivalents of the Municipality decreased between the 2008/09 and 2011/12 financial year moving from a positive cash balance of R6.5 million to R5.7 million for 2014/15 MTREF. With the 2011/12 adjustments budget various cost efficiencies and savings had to be realized to ensure the Municipality could meet its operational expenditure commitments.
- In addition the Municipality undertook an extensive debt collection process to boost cash levels. These initiatives and interventions have translated into a positive cash position for the Municipality. For the 2012/13 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to exceed R18.1million by 2012/13 and steadily increasing to R26.4 million by 2014/15.

## 2.7.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be "funded. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is

an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

**Table 35: cash backed reserve/ accumulated surplus reconciliation**

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Cash and investments available</b>										
Cash/cash equivalents at the year end	3 007 326	10 612 795	22 736 212	8 986 000	645 523	645 523	620 575	18 155 327	20 989 216	26 467 398
Other current investments > 90 days	-	1	1	-1 000	12 912 197	12 912 197	-620 575	-8 855 327	-11 789 216	-18 467 398
<b>Cash and investments available:</b>	<b>3 007 326</b>	<b>10 612 796</b>	<b>22 736 213</b>	<b>8 985 000</b>	<b>13 557 720</b>	<b>13 557 720</b>	<b>-</b>	<b>9 300 000</b>	<b>9 200 000</b>	<b>8 000 000</b>
<b>Application of cash and investments</b>										
Unspent conditional transfers	1 967 502	5 648 171	9 097 680	2 000 000	2 000 000	2 000 000	-	2 000 000	2 000 000	2 000 000
Other working capital requirements	5 814 737	-13 584 701	-4 752 916	-4 727 000	-209 000	-209 000	-	-4 761 000	-2 270 000	-1 094 000
<b>Total Application of cash and investments:</b>	<b>7 782 239</b>	<b>-7 936 530</b>	<b>4 344 765</b>	<b>-2 727 000</b>	<b>1 791 000</b>	<b>1 791 000</b>	<b>-</b>	<b>-2 761 000</b>	<b>-270 000</b>	<b>906 000</b>
<b>Surplus(shortfall)</b>	<b>-4 774 913</b>	<b>18 549 326</b>	<b>18 391 448</b>	<b>11 712 000</b>	<b>11 766 720</b>	<b>11 766 720</b>	<b>-</b>	<b>12 061 000</b>	<b>9 470 000</b>	<b>7 094 000</b>

From the above table it can be seen that the cash and investments available total R18.1 million in the 2012/13 financial year and progressively increase to R26.4 million by 2014/15, including the projected cash and cash equivalents as determined in the cash flow forecast. The following is a breakdown of the application of this funding:

Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.

In the past these have been allowed to “roll-over and be spent in the ordinary course of business, but this practice has been discontinued. During the 2011/12 financial year the municipality was required to supply National Treasury with a detailed analysis of the unspent grants as well as an action plan of spending the grants. For the 2012/13 financial year R2 million has been provided this liability.

- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital, as was experienced by the Municipality in 2011/12 resulting in cash flow challenges.

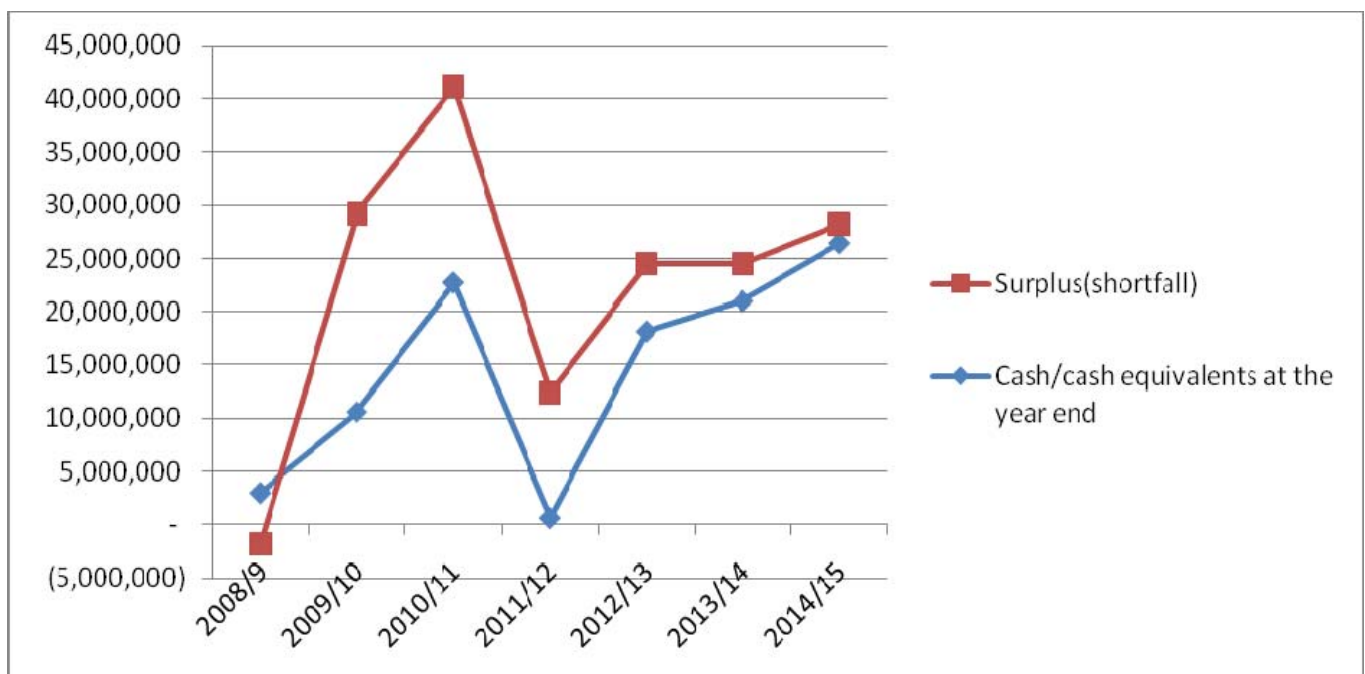
For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be

60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.

Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective



## 2.7.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.



**Table 36: Funding compliance measurement**

Description	MFMA section	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Funding measures</b>	-										
Cash/cash equivalents at the year end - R'000	18(1)b	3 007	10 613	22 736	8 986	646	646	621	18 155	20 989	26 467
Cash + investments at the yr end less applications - R'000	18(1)b	(4 775)	18 549	18 391	11 712	11 767	11 767	-	12 061	9 470	7 094
Cash year end/monthly employee/supplier payments	18(1)b	0.8	3.7	5.9	1.8	0.1	0.1	-	3.3	3.6	4.4
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	367	25 884	16 099	31 374	41 643	41 643	-	49 731	43 463	38 774
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	N.A.	(7.9%)	7.4%	24.9%	(22.6%)	(6.0%)	(106.0%)	8.6%	8.9%	6.9%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	(7.6%)	123.4%	79.3%	80.6%	86.8%	86.8%	0.0%	97.8%	81.4%	79.8%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	0.0%	0.0%	28.7%	23.2%	27.5%	27.5%	0.0%	24.1%	22.1%	20.6%
Capital payments % of capital expenditure	18(1)c;19	45.2%	122.3%	101.0%	97.6%	100.0%	100.0%	0.0%	93.3%	78.8%	101.2%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	(27.2%)	1.9%	9.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a								100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	N.A.	55.1%	(16.2%)	(2.1%)	(46.8%)	0.0%	(100.0%)	21.0%	(11.0%)	(11.2%)
Long term receivables % change - incr(decr)	18(1)a	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	0.0%	0.8%	0.9%	1.4%	1.5%	1.5%	0.0%	1.4%	1.3%	1.2%
Asset renewal % of capital budget	20(1)(vi)	0.0%	0.0%	0.0%	0.0%	13.4%	13.4%	0.0%	10.5%	0.8%	0.0%

#### 2.7.5.1 Cash/cash equivalent position

- The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.
- If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2012/13 MTREF shows R18.1 million, R20.9 million and R26.4 million for each respective financial year.

#### 2.7.5.2 Cash plus investments less application of funds

- The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 24; the reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

#### *2.7.5.3 Monthly average payments covered by cash or cash equivalents*

- The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been increasing significantly for the period 2008/09 to 2010/11, moving from 0.7 to 5.9. As part of the 2012/13 MTREF the municipalities' cash position causes the ratio to move upwards from 3.3, 3.2 and 4.4 for the outer years. As indicated above the Municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

#### *2.7.5.4 Surplus/deficit excluding depreciation offsets*

- The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An adjusted surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2012/13 MTREF the indicative outcome is a surplus of R45.1 million, R34.5 million and R39.8 million. It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

#### *2.7.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target*

- The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in „revenue, which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.
- The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 8.6, 8.9 and 6.9 per cent for the respective financial year of the 2012/13 to 2014/15 MTREF.

#### *2.7.5.6 Cash receipts as a percentage of ratepayers and other revenue*

- This factor is a macro measure of the rate at which funds are „collected. This measure is intended to analyze the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 97.8, 81.4 and 79.8 per

cent for each of the respective financial years which is 2012/14 to 2014/15. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly?

*2.7.5.7 Debt impairment expense as a percentage of billable revenue*

- This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 24.1, 22.1 and 20.6 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is not well within the accepted leading practice.

*2.7.5.8 Capital payments percentage of capital expenditure*

- The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

*2.7.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)*

- The purpose of this measurement is to determine the proportion of a municipality's „own-funded capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 0 per cent of own funded capital. The municipality does not borrow money from external stakeholders

*2.7.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available*

- The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

*2.7.5.11 Consumer debtors change (Current and Non-current)*

- The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtor's accounts within 30 day

*2.7.5.12 Repairs and maintenance expenditure level*

- This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance are contained in Table 50 MBRR SA34C.

### 2.7.5.13 Asset renewal/rehabilitation expenditure level

- This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for „repairs and maintenance budgets

## 2.8 Expenditure on grants and reconciliations of unspent funds

Table 37- MBRR Table SA19 Expenditure on transfers and grant programme

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Operating expenditure of Transfers and Grants</b>									
National Government:	24 577 233	34 139 987	41 599 260	49 466 000	50 814 074	50 814 074	61 813 000	70 377 000	65 412 000
Local Government Equitable Share	23 761 143	32 310 578	39 322 522	47 176 000	47 176 000	47 176 000	53 513 000	57 977 000	62 712 000
Finance Management	507 275	1 135 546	1 417 085	1 500 000	1 819 600	1 819 600	1 500 000	1 500 000	1 750 000
Municipal Systems Improvement	308 815	693 863	859 653	790 000	1 204 474	1 204 474	800 000	900 000	950 000
Integrated National Electrification Programme							5 000 000	10 000 000	-
EPWP Incentive					614 000	614 000	1 000 000		
District Municipality:	5 578 871	-	-	5 000 000	4 000 000	4 000 000	-	-	-
Mopani district municipality	5 578 871	-	-	5 000 000	4 000 000	4 000 000			
Other grant providers:	-	963 532	-	-	-	-	-	-	-
LED		963 532	-						
<b>Total operating expenditure of Transfers and Grants:</b>	<b>30 156 104</b>	<b>35 103 519</b>	<b>41 599 260</b>	<b>54 466 000</b>	<b>54 814 074</b>	<b>54 814 074</b>	<b>61 813 000</b>	<b>70 377 000</b>	<b>65 412 000</b>
<b>Capital expenditure of Transfers and Grants</b>									
National Government:	20 785 000	16 368 974	14 985 753	26 066 921	29 279 734	29 279 734	30 174 000	31 830 000	33 670 000
Municipal Infrastructure Grant (MIG)	20 785 000	16 368 974	14 985 753	26 066 921	29 279 734	29 279 734	30 174 000	31 830 000	33 670 000
Other grant providers:	2 192 162	-	-	-	-	-	-	-	-
LED	1 765 310								
	426 852								
<b>Total capital expenditure of Transfers and Grants</b>	<b>22 977 162</b>	<b>16 368 974</b>	<b>14 985 753</b>	<b>26 066 921</b>	<b>29 279 734</b>	<b>29 279 734</b>	<b>30 174 000</b>	<b>31 830 000</b>	<b>33 670 000</b>
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>	<b>53 133 266</b>	<b>51 472 493</b>	<b>56 585 013</b>	<b>80 532 921</b>	<b>84 093 808</b>	<b>84 093 808</b>	<b>91 987 000</b>	<b>102 207 000</b>	<b>99 082 000</b>

## Transfer and grants made by the municipality

- The municipality is only a grant recipient
- The municipality does not transfer grants

Table 38- MBRR SA20 - Reconciliation of transfers, grant receipts and unspent funds

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b><u>Operating transfers and grants:</u></b>									
<b>National Government:</b>									
Balance unspent at beginning of the year	686 311	1 105 221	1 010 812						
Current year receipts	28 050 485	34 045 578	41 322 522	49 466 000	50 200 074	50 200 074	61 813 000	70 377 000	65 412 000
Conditions met - transferred to revenue	26 769 394	34 139 987	41 599 260	49 466 000	50 200 074	50 200 074	61 813 000	70 377 000	65 412 000
Conditions still to be met - transferred to liabilities	1 967 402	1 010 812	734 074						
<b>District Municipality:</b>									
Balance unspent at beginning of the year									
Current year receipts	5 578 871	3 460 440	4 000 000	5 000 000	4 000 000	4 000 000	-	-	-
Conditions met - transferred to revenue	5 578 871	-	-	5 000 000	4 000 000	4 000 000	-	-	-
Conditions still to be met - transferred to liabilities		3 460 440	4 000 000						
<b>Other grant providers:</b>									
Balance unspent at beginning of the year		500 019							
Current year receipts		463 513	200 000		614 000	614 000		-	-
Conditions met - transferred to revenue	-	963 532	-	-	614 000	614 000	-	-	-
Conditions still to be met - transferred to liabilities			200 000						
<b>Total operating transfers and grants revenue</b>	<b>32 348 265</b>	<b>35 103 519</b>	<b>41 599 260</b>	<b>54 466 000</b>	<b>54 814 074</b>	<b>54 814 074</b>	<b>61 813 000</b>	<b>70 377 000</b>	<b>65 412 000</b>
<b>Total operating transfers and grants - CTBM</b>	<b>1 967 402</b>	<b>4 471 252</b>	<b>4 934 074</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Capital transfers and grants:</u></b>									
<b>National Government:</b>									
Balance unspent at beginning of the year			4 283 026						
Current year receipts	20 785 000	20 652 000	14 512 000	26 066 921	30 720 009	30 720 009	35 174 000	41 830 000	33 670 000
Conditions met - transferred to revenue	20 785 000	16 368 974	14 836 901	26 066 921	30 720 009	30 720 009	35 174 000	41 830 000	33 670 000
Conditions still to be met - transferred to liabilities		4 283 026	3 958 125						
<b>Total capital transfers and grants revenue</b>	<b>20 785 000</b>	<b>16 368 974</b>	<b>14 836 901</b>	<b>26 066 921</b>	<b>30 720 009</b>	<b>30 720 009</b>	<b>35 174 000</b>	<b>41 830 000</b>	<b>33 670 000</b>
<b>Total capital transfers and grants - CTBM</b>	<b>-</b>	<b>4 283 026</b>	<b>3 958 125</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>	<b>53 133 265</b>	<b>51 472 493</b>	<b>56 436 161</b>	<b>80 532 921</b>	<b>85 534 083</b>	<b>85 534 083</b>	<b>96 987 000</b>	<b>112 207 000</b>	<b>99 082 000</b>
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>	<b>1 967 402</b>	<b>8 754 278</b>	<b>8 892 199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 2.9. Councillor and employee benefits

Table 39- MBRR SA22 - Summary councilor and staff benefits

Summary of Employee and Councillor remuneration	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
	A	B	C	D	E	F	G	H	I
<b><u>Councillors (Political Office Bearers plus Other)</u></b>									
Basic Salaries and Wages	2 057 437	3 029 042	3 364 756	3 365 889	3 992 621	3 992 621	4 192 252	4 401 864	4 621 958
Pension and UIF Contributions	902 503	543 000	639 242	607 647	998 155	998 155	1 048 063	1 100 466	1 155 489
Medical Aid Contributions	47 131	34 560	54 213	77 443	77 443	77 443	-	-	-
Motor Vehicle Allowance	1 138 656	1 481 846	1 338 201	1 350 326	1 663 592	1 663 592	1 746 772	1 834 110	1 925 816
Cellphone Allowance	308 327	279 328	286 853	546 183	1 042 582	1 042 582	352 656	370 289	388 803
Other benefits and allowances							41 923	44 019	46 220
<b>Sub Total - Councillors</b>	<b>4 454 055</b>	<b>5 367 776</b>	<b>5 683 264</b>	<b>5 947 487</b>	<b>7 774 393</b>	<b>7 774 393</b>	<b>7 381 665</b>	<b>7 750 748</b>	<b>8 138 286</b>
<b>% increase</b>		<b>20.5%</b>	<b>5.9%</b>	<b>4.6%</b>	<b>30.7%</b>	<b>-</b>	<b>(5.1%)</b>	<b>5.0%</b>	<b>5.0%</b>
<b><u>Senior Managers of the Municipality</u></b>									
Basic Salaries and Wages	15 109 845	13 582 933	2 522 208	2 599 215	2 599 215	2 599 215	2 629 205	2 760 665	2 898 699
Pension and UIF Contributions	3 931 775	6 286 532	54 866	749 206	749 206	749 206	758 190	796 099	835 904
Medical Aid Contributions	1 503 127	1 005 656	90 593	57 060	57 060	57 060	71 325	74 891	78 636
Overtime	-	169 460	1 039 993				-	-	-
Performance Bonus			400 329	142 280	142 280	142 280	615 860	646 653	678 986
Motor Vehicle Allowance				993 520	993 520	993 520	993 520	1 043 196	1 095 356
Cellphone Allowance				65 640	65 640	65 640	65 640	68 922	72 368
Housing Allowances			589 690	39 069	39 069	39 069			
Other benefits and allowances							26 612	27 943	29 340
<b>Sub Total - Senior Managers of Municipality</b>	<b>20 544 747</b>	<b>21 044 581</b>	<b>4 697 678</b>	<b>4 645 989</b>	<b>4 645 989</b>	<b>4 645 989</b>	<b>5 160 352</b>	<b>5 418 369</b>	<b>5 689 288</b>
<b>% increase</b>		<b>2.4%</b>	<b>(77.7%)</b>	<b>(1.1%)</b>	<b>-</b>	<b>-</b>	<b>11.1%</b>	<b>5.0%</b>	<b>5.0%</b>
<b><u>Other Municipal Staff</u></b>									
Basic Salaries and Wages			13 688 283	19 872 272	17 668 785	17 668 785	24 167 724	25 382 269	26 651 382
Pension and UIF Contributions			3 553 374	4 128 316	3 678 353	3 678 353	5 372 098	5 640 703	5 922 738
Medical Aid Contributions			810 997	791 214	696 527	696 527	1 557 624	1 635 505	1 717 280
Overtime			1 374 368	300 214	303 140	303 140	380 000	399 000	418 950
Performance Bonus			404 566	473 580	2 613 541	2 613 541	1 955 644	2 053 426	2 156 097
Motor Vehicle Allowance			1 484 614	1 264 370	1 378 472	1 378 472	283 337	297 504	312 379
Cellphone Allowance			40 171	174 502	108 346	108 346	349 200	366 660	384 993
Housing Allowances			315 769	108 346	379 214	379 214	39 744	41 731	43 818

Other benefits and allowances				2 147 583			249 730	262 216	275 327
Sub Total - Other Municipal Staff	-	-	21 672 142	29 260 396	26 826 377	26 826 377	34 355 100	36 079 014	37 882 964
% increase		-	-	35.0%	(8.3%)	-	28.1%	5.0%	5.0%
Total Parent Municipality	24 998 802	26 412 357	32 053 085	39 853 873	39 246 759	39 246 759	46 897 117	49 248 131	51 710 538
		5.7%	21.4%	24.3%	(1.5%)	-	19.5%	5.0%	5.0%
TOTAL SALARY, ALLOWANCES & BENEFITS	24 998 802	26 412 357	32 053 085	39 853 873	39 246 759	39 246 759	46 897 117	49 248 131	51 710 538
% increase		5.7%	21.4%	24.3%	(1.5%)	-	19.5%	5.0%	5.0%
TOTAL MANAGERS AND STAFF	20 544 747	21 044 581	26 369 820	33 906 385	31 472 366	31 472 366	39 515 452	41 497 383	43 572 252

Table 40 MBRR SA23 - Salaries, allowances & benefits (political office bearers/councillors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1.	Salary	Contributions	Allowances	Performance Bonuses	Total Package
<b><u>Councillors</u></b>					
Speaker	308 395	80 183	147 338		535 916
Chief Whip	289 120	75 171	139 307		503 598
Executive Mayor	385 494	100 228	179 462		665 185
Deputy Executive Mayor	-	-	-		-
Executive Committee	896 273	233 031	434 623		1 563 928
Total for all other councillors	2 312 969	601 372	1 198 697		4 113 039
<b>Total Councillors</b>	<b>4 192 252</b>	<b>1 089 985</b>	<b>2 099 428</b>		<b>7 381 665</b>
<b><u>Senior Managers of the Municipality</u></b>					
Municipal Manager (MM)	643 959	225 287	104 640	126 140	1 100 026
Chief Finance Officer	360 360	106 794	289 000	103 880	860 034
Director Corporate Services	389 220	115 223	199 000	96 460	799 903
Director Technical Service	467 407	138 058	98 760	96 460	800 685
Director Community Service	467 407	138 058	98 760	96 460	800 685
Director SPED	300 852	132 707	269 000	96 460	799 019
<b>Total Senior Managers of the Municipality</b>	<b>2 629 205</b>	<b>856 127</b>	<b>1 059 160</b>	<b>615 860</b>	<b>5 160 352</b>
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	<b>6 821 457</b>	<b>1 946 112</b>	<b>3 158 587</b>	<b>615 860</b>	<b>12 542 017</b>

Table 41-MBRR - SA24 Summary of personnel numbers

Summary of Personnel Numbers	2010/11			Current Year 2011/12			Budget Year 2012/13		
Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b> Councillors (Political Office Bearers plus Other Councillors)	24	3	21				26	–	26
<b>Municipal employees</b> Municipal Manager and Senior Managers	6	–	6	6	–	6	6	–	6
Other Managers	8	7	1	12	11	1	9	9	
Professionals	94	94	2	92	87	5	158	151	7
<i>Finance</i>	12	12	–	9	8	1	16	15	1
<i>Spatial/town planning</i>	3	3	–	5	5	–	14	13	1
<i>Information Technology</i>	1	1	–	1	1	–	3	2	1
<i>Roads</i>	7	7	–	6	6	–	14	10	4
<i>Electricity</i>	1	1	–	1	1	–	10	10	–
<i>Water</i>	17	17	–	14	14	–	12	12	–
<i>Sanitation</i>	17	17	–				2	2	–
<i>Refuse</i>				7	7	–	38	38	–
<i>Other</i> Clerks (Clerical and administrative)	36	36	2	49	45	4	49	49	–
	33	31	2	26	26	–	16	16	
<b>TOTAL PERSONNEL NUMBERS</b>	<b>165</b>	<b>135</b>	<b>32</b>	<b>136</b>	<b>124</b>	<b>12</b>	<b>215</b>	<b>176</b>	<b>39</b>
<b>% increase</b>				(17.6%)	(8.1%)	(62.5%)	58.1%	41.9%	225.0%

## 2.10 Monthly targets for revenue, expenditure and cash flow

See attached copy of the Annual Budget for the following tables

- TABLE 42:MBRR SA25 - Budgeted monthly revenue and expenditure – see attached copy of the Annual Budget
- TABLE 43: MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)
- TABLE 44: MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)
- TABLE 45:MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)



- TABLE 46: MBRR SA29 - Budgeted monthly capital expenditure (standard classification)
- TABLE 47: MBRR SA30 - Budgeted monthly cash flow

## **2.11 Annual budgets and SDBIPs – internal departments**

### **2.11.1 Water Services Department**

**Maruleng Municipality is not a water service authority**

### **2.12 Contracts having future budgetary implications**

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

### **2.13 Capital expenditure details**

See attached copy of the Annual Budget for the following tables

- TABLE 48:MBRR SA 34a – Capital expenditure on new assets by assets class
- TABLE 49:MBRR SA 34b – Capital Expenditure on the renewal of existing assets by assets class
- TABLE 50:MBRR SA 34c – Repairs and maintenance expenditure by assets class
- TABLE 51: MBRR SA34d- Depreciation by assets classification
- TABLE 52:MBRR SA 35 – Future financial implications of the capital budget
- TABLE 53 :MBRR SA 36 – Detailed capital budget per municipal vote
- TABLE 54: MBRR SA 37– Projects delayed from previous financial year

### **2.14 Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

#### **1. in year reporting**

- Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.

#### **2. Internship programme**

- The Municipality is participating in the Municipal Financial Management Internship programme and has employed 5 interns undergoing training in various divisions of the Financial Services Department.
3. Budget and Treasury Office
    - The Budget and Treasury Office has been established in accordance with the MFMA.
  4. Audit Committee
    - A district shared Audit Committee has been established and is fully functional.
  5. Service Delivery and Implementation Plan
    - The detail SDBIP document is at a draft stage and will be finalized after approval of the 2012/13 MTREF in May 2012 directly aligned and informed by the 2011/12 MTREF.
  6. Annual Report
    - Annual report is compiled in terms of the MFMA and National Treasury requirements.
  7. MFMA Training
    - The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.
  8. Policies
    - An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

## **2.15 Other supporting documents**

See attached copy of the Annual Budget for the following supporting tables

- TABLE 55: MBRR SA 1 – Supporting detail to budgeted financial performance
- TABLE 56: MBRR SA 2 – Matrix financial Performance budget ( revenue source/expenditure type and department)
- TABLE 57: MBRR SA 3 – Supporting detail to statement of financial position
- TABLE 58: MBRR SA 9 – Social, economic and demographic statistics and assumptions
- TABLE 59: MBRR SA 32 – List of external mechanisms



## 2.16 Municipal manager's quality certificate

I **Refilwe Jonas Ramothwala**, municipal manager of Maruleng Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name **Refilwe Jonas Ramothwala**  
Municipal manager Maruleng Municipality

Signature \_\_\_\_\_

Date **25 May 2012**

